

***United States Court of Appeals
for the Second Circuit***



EXHIBITS

77-4092

IN THE

United States Court of Appeals

FOR THE SECOND CIRCUIT

Docket No. 77-4092

HARDER SERVICES, INC.

Petitioner-Appellant

v.

COMMISSIONER OF INTERNAL REVENUE

Respondent-Appellee

RECORD APPENDIX - EXHIBIT VOLUME

John K. Antholis
Counsel for

Petitioner Appellant

Of Counsel:

Edwards & Antholis
Suite 2900
40 Wall Street
New York, New York 10005

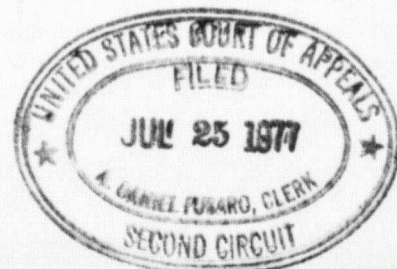


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AGREEMENT FOR MERGER

AGREEMENT, entered into this 13th day of 1964 between F. KENNETH HARDER, residing at 89 Jerusalem Avenue, Hempstead, New York (hereinafter called "Harder"), HARDER TREE SERVICE, INC., a New York corporation whose address is 63 Jerusalem Avenue, Hempstead, New York (hereinafter called "Tree Service"), PHILIP A. ROGERS, residing at Willets Road, Old Westbury, New York (hereinafter called "Rogers") and CARDINAL MAINTENANCE CORP., a New York corporation whose address is 75 State Street, Westbury, New York (hereinafter called "Cardinal").

WHEREAS, Cardinal is a corporation organized under the laws of the State of New York and is engaged in the business of rendering cleaning services to business concerns; and

WHEREAS, Tree Service is a corporation organized under the laws of the State of New York and is engaged in the business of rendering services in connection with the care of trees and shrubbery; and

WHEREAS, Rogers is the owner of all of the outstanding capital stock of Cardinal; and

WHEREAS, Harder is the owner of all of the outstanding capital stock of Tree Service; and

WHEREAS, it is the desire of the parties hereto to consolidate the assets and business of Cardinal and Tree Service for the mutual benefit of both corporations and their stockholders.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. Representations of Rogers and Cardinal.

Rogers and Cardinal jointly and severally represent and warrant as follows:

- (a) that the balance sheet and income statement for Cardinal's fiscal year ending December 31, 1963, a copy of which is attached hereto as Exhibit A, fairly represent the results of its operations for the fiscal year ending December 31, 1963 and the financial position of Cardinal as of December 31, 1963, both prepared on the cash basis;
- (b) that the contracts for cleaning services which Cardinal now has are as set forth in the "List of Contracts of Cardinal" attached hereto as Exhibit B;

Ex H

- (c) that Cardinal is a corporation duly organized, validly existing and in good standing under the laws of the State of New York;
- (d) that the issued stock of Cardinal consists of twenty shares, no par value, of which ten shares are outstanding;
- (e) that there is not authorized or outstanding any options, warrants or other rights to purchase any stock of Cardinal;
- (f) that Rogers is the owner of record of all of the outstanding shares of stock of Cardinal consisting of ten shares of stock represented by Certificate No. 1;
- (g) that since December 31, 1963 there has been no materially adverse change in the business, financial position or properties of Cardinal, it being understood that on about July 7, 1964 Cardinal purchased ten shares of its then outstanding stock for \$9,200, and on about July 10, 1964 Cardinal borrowed \$8,000 from the Bank of Westbury Trust Company to finance such purchase, which loan is repayable sixty days from the date thereof with interest at the rate of 6% per annum;
- (h) that Cardinal has no contracts with employees for the rendering of services, except those that are cancellable on not more than thirty days' notice;

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- (i) that the fixed assets of Cardinal now consist of the assets listed in the "List of Fixed Assets" attached hereto as Exhibit C;
 - (j) that the working capital of Cardinal as of the close of business on July 31, 1964 will consist of \$2,450.00. The term "net working capital" as used herein shall be computed on the accrual basis and shall consist of the amount by which the sum of cash, prepaid expenses and accounts receivable exceeds the sum of accrued expenses (including salaries and wages), accounts payable and all loans payable other than the loan payable by Cardinal to the Bank of Westbury Trust Company in the amount of \$8,000. Such working capital shall be computed in accordance with the accrual method of accounting, it being recognized that Rogers will have the right, as of the date of the merger, to forgive any accrued salary or other amounts owed to him or to transfer cash to Cardinal or distribute monies as a dividend in order to make such working capital equal to the amount set forth in this subsection (j) of this Section 1; and
 - (k) that Cardinal will have no liabilities, whether contingent or fixed, known or unknown, as of

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July 31, 1964, other than those set forth on the financial statement prepared for purposes of subsection (j) of this Section 1.

2. Representations of Harder and Tree Service.

Harder and Tree Service jointly and severally represent and warrant as follows:

- (a) that the balance sheet and income statement for Tree Service's fiscal year ending December 31, 1963, a copy of which is attached hereto as Exhibit D, fairly represent the result of its operations for the fiscal year ending December 31, 1963 and its financial position as of December 31, 1963;
- (b) that the gross receipts of Tree Service for the twelve months ending June 30, 1964 were approximately \$348,000;
- (c) that Tree Service is a corporation duly organized, validly existing and in good standing under the laws of the State of New York;
- (d) that the issued stock of Tree Service consists of one hundred shares, no par value, all of which are outstanding;
- (e) that there is not authorized or outstanding any

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options, warrants or other rights to purchase any stock of Tree Service;

- (f) that Harder is the owner of record of all of the outstanding shares of stock of Tree Service consisting of 100 shares of stock;
- (g) that since December 31, 1963 there has been no materially adverse change in the business, financial position or properties of Tree Service; and
- (h) that Tree Service has no contracts with employees for the rendering of services, except those that are cancellable on not more than thirty days notice.

3. Terms of the Merger. The parties hereto agree that Tree Service and Cardinal will be merged on or about July 31, 1964 pursuant to the terms of the "Plan of Merger" attached hereto as Exhibit E.

4. Employment of Rogers. Immediately after the merger becomes effective, Tree Service and Rogers will enter into an employment agreement in substantially the form of the "Employment Covenant Contract" attached hereto as Exhibit F.

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5. Options with Respect to the Stock to be Issued to Rogers. Immediately after the merger becomes effective Harder, Rogers and Tree Service will enter into an agreement with respect to the stock of Tree Service to be issued to Rogers pursuant to the terms of the merger in substantially the form of the "Stock Option Agreement" attached hereto as Exhibit G.

6. Transfer of Cardinal's Business to a New Corporation. Immediately after the merger, the business of Cardinal acquired by Tree Service will be transferred to a new corporation whose name will be substantially similar to Cardinal's name. The Board of Directors of such corporation shall consist of Harder, Rogers and Frank Harder, and Rogers shall be elected President of such corporation.

7. Restrictions on Cardinal. Prior to the effective date of the merger Cardinal will not, without the written consent of Tree Service,

- (a) declare or pay any dividends or make any distributions with respect to its capital stock or redeem or otherwise acquire any of its outstanding shares of stock;

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- (b) merge or consolidate with any corporation or corporations;
- (c) issue any options for the purchase of any of its stock or any securities convertible into its stock;
- (d) make any sale of its assets, other than in the ordinary course of its business; and
- (e) make any contracts with employees for the rendering of services, except those that are cancellable on not more than thirty days' notice.

8. Restrictions on Free Service. Prior to the effective date of the merger Free Service will not, without the written consent of Cardinal,

- (a) declare or pay any dividends or make any distributions with respect to its capital stock or redeem or otherwise acquire any of its outstanding shares of stock;
 - (b) merge or consolidate with any corporation or corporations;
 - (c) issue any options for the purchase of any of its stock or any securities convertible into its stock;
- 7/11/91

- (d) make any sale of its assets, other than in the ordinary course of its business; and
- (e) make any contracts with employees for the rendering of services, except those that are cancellable on not more than thirty days' notice.

9. Brokers' Commissions. Each of the parties represents and warrants that all of its negotiations relative to this agreement and the transactions contemplated hereby have been carried on directly with the other parties without the intervention of any broker or third person and agrees to indemnify the other parties and hold them harmless from all liabilities arising from any claims for brokers' commissions or finders' fees attributable to its acts.

10. Payment of Expenses of Merger. All expenses of the merger and the legal fees of Meyer, Kissel, Matz & Seward in acting as attorneys in preparing this agreement, the other agreements contemplated hereby and the giving of tax advice on the merger, will be paid by Tree Service.

11. Parties. This agreement shall be binding upon and shall inure to the benefit of the parties

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hereto and their respective legal representatives, successors and assigns. /

IN WITNESS WHEREOF, the parties hereto have executed this agreement the day and year first above written.

F. Kenneth Harder
F. Kenneth Harder

HARDER TREE SERVICE, INC.

By F. K. Harder
Pres.

Philip A. Rogers
Philip A. Rogers

CARDINAL MAINTENANCE CORP.

By Philip A. Rogers Pres

LIST OF EXHIBITS

- | | | |
|------------------|---|---|
| <u>EXHIBIT A</u> | - | Balance Sheet and Income Statement of Cardinal Maintenance Corp. for the fiscal year ending 12/31/63. |
| <u>EXHIBIT B</u> | - | List of Cleaning Contracts of Cardinal Maintenance Corp. as of 7/ /64. |
| <u>EXHIBIT C</u> | - | List of Fixed Assets of Cardinal Maintenance Corp. as of 7/ /64. |
| <u>EXHIBIT D</u> | - | Balance Sheet and Income Statement of Harder Tree Service, Inc. for the fiscal year ending 12/31/63. |
| <u>EXHIBIT E</u> | - | Plan of Merger |
| <u>EXHIBIT F</u> | - | Employment Covenant Contract |
| <u>EXHIBIT G</u> | - | Stock Option Agreement |

CARDINAL MAINTENANCE CORP.INCOME STATEMENT1963

Gross Receipts		\$19,328.46
Expenses:		
Salaries and Wages	\$14,967.55	
Repairs	52.15	
Rent	250.00	
Amortization	10.00	
Depreciation	263.50	
Advertising	2,093.26	
Other Deductions	<u>5,142.06</u>	<u>22,783.52</u>
	Net Income	(\$3,455.06)

CARDINAL MAINTENANCE CORP.BALANCE SHEET1963A S S E T S

Cash		\$2,031.56
Buildings and other fixed depreciable assets	\$2,838.18	
Less Accumulated amortization and depreciation	<u>268.50</u>	2,569.68
Intangible Assets	100.00	
Less Accumulated amortization	<u>10.00</u>	<u>90.00</u>
Total Assets		<u><u>\$4,741.24</u></u>

L I A B I L I T I E S

Mortgage	\$ 700.00
Other current liabilities	686.66
Loans from stockholders	800.00
Common Stock	6,006.64
Earned Surplus and undivided profits	<u>(3,454.06)</u>
Total liabilities	<u><u>\$4,741.24</u></u>

EXHIBIT B

"We Spray the Island"

HARDER TREE SERVICE, INC.

63 Jerusalem Avenue
Hempstead, New York
Area Code 516 IV 1-8800

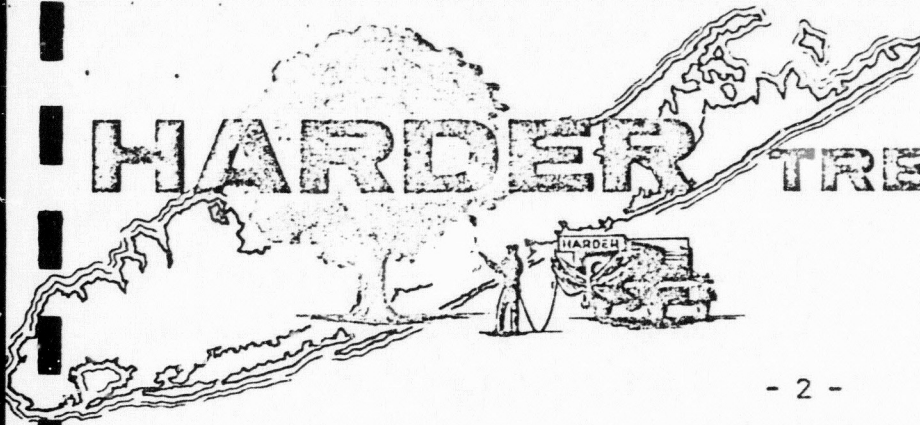
July 22, 1964

The following is a list of the Accounts and Monthly Billings
of Cardinal Maintenance Corporation:

Avis Rent-A-Car Garden City, L.I.	\$1650.00
American Plan Corp Westbury, L.I.N.Y.	981.00
Allstate Insurance Co Old Country Rd Huntington Station, L.I.	95.00
Alladin Transparent Packaging Corp 608 Main Street Westbury, L.I.N.Y.	30.00
Bruce Oldsmobile Inc South Oyster Bay Rd Bethpage, L I N Y	330.00
Stewart R. Brown Mfg Co., Inc. 839 Stewart Ave Garden City, L.I.N.Y.	85.00
County National Bank 1570 Old Country Rd Westbury, L. I. N Y	224.00
Consolidated Vending Corp 33 Tec Street Hicksville, L I N Y	70.00
Country Art Gallery Belmont Ave Westbury, L I N Y	50.00
James Canellos 1211 Stewart Ave Bethpage	16.00
Edwards & Hanley 2936 Hempstead Turnpike Levittown, L I	125.00

SPRAYING — PRUNING — REMOVAL — CABLING — CAVITY WORK

"We Spray the Island"



HARDER TREE SERVICE, INC.

63 Jerusalem Avenue
Hempstead, New York
Area Code 516 IV 1-8800

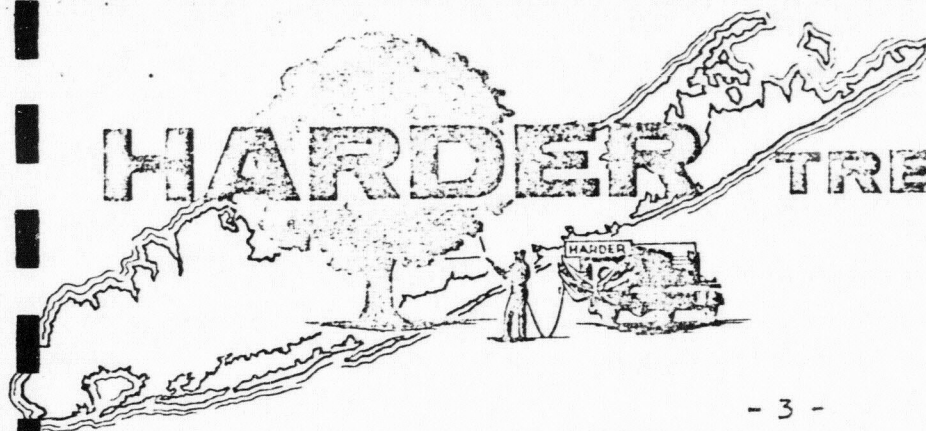
- 2 -

The Foregger Co., Inc. 2 Lambert Street Roslyn Heights, L I N Y	\$ 335.00
First National City Bank 177 Jericho Turnpike Syosset, L I	350.00
General Welding Supply Corp. 400 Shames Drive Westbury, L I	175.00
Harder Extermination Service, Inc. 63 Jerusalem Avenue Hempstead	257.00
Howard Johnson Restaurant Willis Ave Roslyn Heights	330.00
Laboratory Furniture Co., Inc. Old Country Rd., P.O.Box 590 Mineola	495.00
Frank LaRosa Real Estate 800 Old Country Rd Westbury	45.00
Melland Gear Co 84 Sylvester St Westbury	50.00
Mattlage Sales, Inc. 1157 Willis Ave Albertson	120.00
J. S. McHugh 839-A Stewart Ave Garden City	112.00
The National Cash Register Co 619 Fulton Ave Hempstead, N Y	425.00

SPRAYING — PRUNING — REMOVAL — CABLING — CAVITY WORK

"We Spray the Island"

HARDER TREE SERVICE, INC.

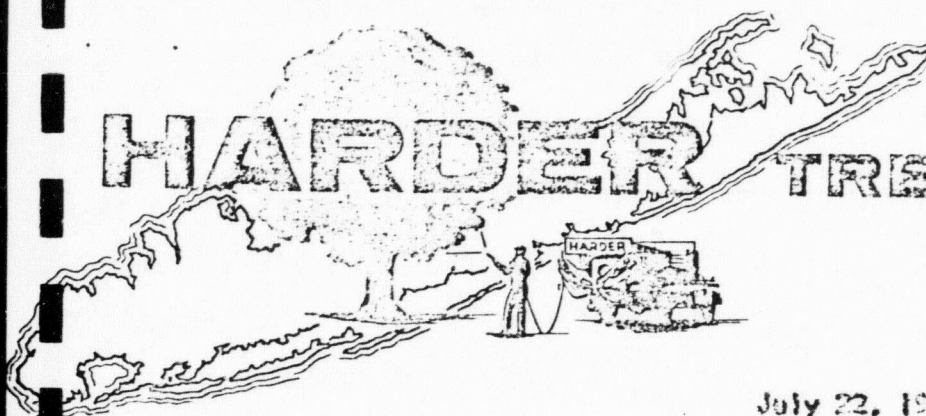


63 Jerusalem Avenue
Hempstead, New York
Area Code 516 IV 1-8800

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National Profit Sharing Tec Street Hicksville	\$ 8.50
Petroleum Heat & Power Co., Inc. 522 Grand Blvd Westbury	560.00
H. O. Penn Machinery Co., Inc. Stewart Ave Westbury	410.00
Red Coach Grill 1500 Jericho Turnpike Westbury	50.00
Railway Express Agency 925 Stewart Ave Garden City	270.00
E. Osborne Smith (IRS) 2094 Grand Concourse Bronx 57, N Y	450.00
Abraham Shames (Cardinal Bldg) 1211 Stewart Ave Bethpage	65.00
Jerry Spiegel Associates 270 North Broadway Hicksville	65.00
Texaco Inc 119 Old Country Rd., Mineola	220.00
Therm-X 74 State St., Westbury	12.00
To-Mar Hair Designs 358 Merrick Ave., East Meadow	95.00
Underwood Corp 839 Stewart Ave., Garden City	150.00
Vickers Ins 892 Willis Ave., Albertson	37.75

SPRAYING — PRUNING — REMOVAL — CABLING — CAVITY WORK



HARDER TREE SERVICE, INC.

63 Jerusalem Avenue
Hempstead, New York
Area Code 516 IV 1-8800

July 22, 1964

The following is a list of Equipment and Supplies of the
Cardinal Maintenance Corporation:

Floor Waxing Machines

1. Q15 Ponsell	#040178		\$ 200.00
& floor spray attachment, polishing brush, drive assembly			
2. Q16 Ponsell	#7540061		200.00
& Janway floor spray attachment, polishing brush, drive assembly			
3. Q16 Ponsell	#6310017		200.00
& Polishing brush			
4. Holt	#20-9-21		150.00
5. H11d - Dupont Spray Attachment	JS		175.00 ✓
6. H11d - Dupont Spray Attachment	JS		175.00 ✓
7. H11d - Dupont Spray Attachment	JS		175.00 ✓
8. Kent			150.00

Shampooing Machine

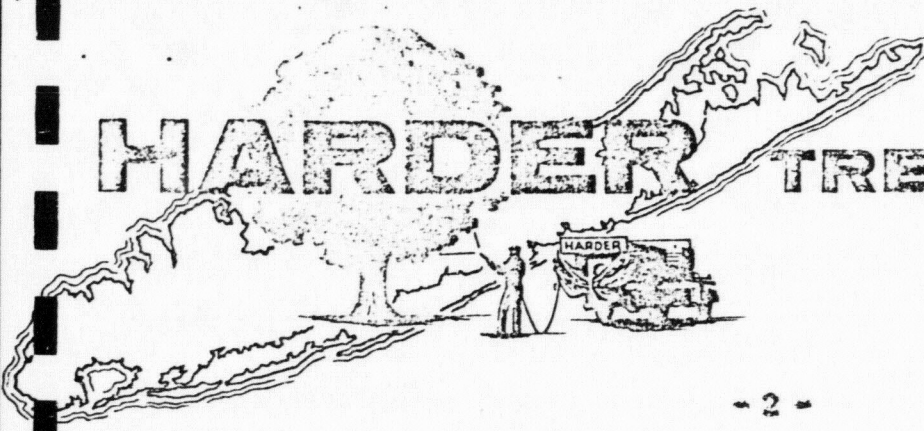
1. 15" Ponsell		225.00
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Industrial Vacuums

1. H11d		150.00
2. H11d	JS	125.00 ✓
3. H11d	JS large	175.00 ✓

"We Spray the Island"

HARDER TREE SERVICE, INC.



63 Jerusalem Avenue
Hempstead, New York
Area Code 516 IV 1-8800

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Vacuums - booster type

1. Hoover new	\$ 20.00
2. Hoover new	20.00
3. Hoover used	20.00
4. Hoover used	20.00
5. Hoover used	20.00
6. Hoover used	20.00
7. Hoover used	20.00

Different Services on Customers Machines

1. National Cash Register Co	30.00
2. Petro	30.00
3. General Welding	30.00

Vehicle

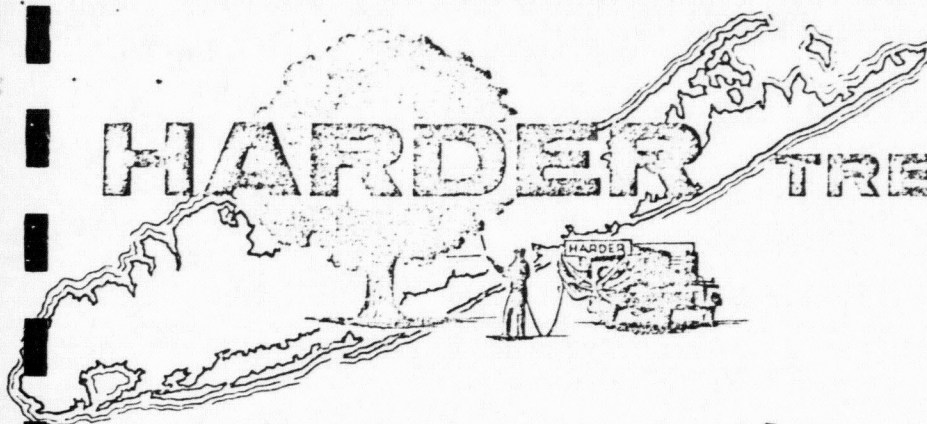
1. Ford 1963 Econoline Motor #14-H355163	1500.00
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Office Equipment

1. Underwood Forum Typewriter	445.00
2. Adding Machine	152.00

1517.00

"We Spray the Island"



HARDER TREE SERVICE, INC.

63 Jerusalem Avenue
Hempstead, New York
Area Code 516 IV 1-8800

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SUPPLIES

1.	50 Gal. Quadra Clean		\$ 159.00
2.	25 Gal Vico		69.00
3.	20 Gal. Glory Co		99.00
4.	17 Gal. Amosox	McVickers	23.95
5.	5 Gal. G C Stripper	"	10.00
6.	5 Gal Sherex	Ponsell	15.00
7.	17 Gal Mts. Floor Finish		46.75
8.	60 Gal Aster X - 9 Finish		132.00
9.	14 Gal Bowl Cleaner		27.20
10.	6 Gal Dupont Spray		33.00
11.	Collector Carts 9		124.55
	" " " " " " " "	Special Avia	80.00
12.	100 142 Ajax Cleaner		14.00
13.	Steel Wool 1 1/2 cases		19.50
14.	1 ea Messlin Cloth		32.00
	Misc. Supplies		200.00

SPRAYING — PRUNING — REMOVAL — CABLING — CAVITY WORK

HARDER TREE SERVICE INC

TRIAL BALANCE

Post Closing Dec. 31, 1963

	ASSETS	LIABILITIES
L. I. Trust Co.	\$ 1307.43	
Hempstead Bank	313.14	
Accounts Receivable	29634.34	
" " Employees		175.17
Work in Process	13640.00	
Due to Affiliate		29486.41
Materials & Supplies	29892.10	
Unexpired Insurance	4090.58	
Deposit on Bids	775.00	
Loan Payable F.K.H.		10000.00
Accounts Payable		3388.41
Accrued Expenses		9751.08
Capital Stock Issued		10000.00
Earned Surplus		16851.52
	<u>\$ 79652.59</u>	<u>\$ 79652.59</u>

HARDER TREE SERVICE
STATEMENT OF INCOME & EXPENSES

Dec. 31, 1963

Sales Income:

Fog	\$ 10,184.70
Spraying	97,173.05
Dyna-Machines & Materials	3,993.48
Weed Control	24,450.50
Landscaping	15,077.29
Tree Work	148,675.19
Arborist Supplies	47,522.77
Other Income	<u>1,794.04</u>
Total Income from Sales & Services	<u>\$ 348,871.02</u>

Cost of Sales

Direct Expense

Material	\$ 53,315.99
Salaries & Wages	91,120.81
Payroll Taxes	6,183.45
Insurance	9,221.22
Maint. & Repair - Autos	7,149.61
Saws	230.15
Equipment	4,236.93
Gas & Oil	7,074.01
Garage	200.04
Hospital & Maj. Med. Ins.	1,218.62
Sub-contractors	4,220.70
Uniforms	3,264.04
Damage claims	918.72
Tolls	680.90
Dumping	1,741.50
Equipment Rentals	20,072.70
Permits	344.45
Arborist Supplies for Resale	35,534.03
Freight and Cartage	801.20
Miscellaneous	<u>174.14</u>

Total Direct Expense

247,703.21

Gross Operating Profit

\$ 101,167.81

Carried Forward

\$101,167.81

Selling Expenses

Salaries	\$36,041.00
Commissions	4,557.01
Payroll Taxes	1,785.77
Insurance	664.05
Telephone	3,734.28
Hospital, Major Med Ins	978.20
Dues - Subscriptions	374.50
Travel & Entertainment	508.37
Sales Promotion	3,360.41
Research & Study	615.36
Advertising	<u>12,802.09</u>

Total Selling Expenses

65,421.04

Selling Profit

\$ 35,746.77

General & Administrative Expenses

Office Salaries	12,858.38
Payroll taxes	954.53
Insurance	224.80
Hosp & Major Med. Ins.	77.48
Dues & Subscriptions	420.00
Postage	1,381.34
Rent	4,200.00
Legal & Professional Services	301.57
Interest	458.31
Office Supplies & Expenses	986.46
Stationery & Printing	889.78
Light - Heat - Water	600.00
Clerical Services	2,353.18
Accounting	2,400.00
Administrative Expenses	<u>4,664.76</u>

Total Gen. & Admin. Expenses

32,770.59

Net Profit on Operations (Before taxes)

2,976.18

Less: N. J. Franchise Tax \$ 50.00

Federal Income tax 829.57

N.Y.State Franchise Tax 160.941,040.51

Net Profit after taxes

\$ 1,935.67

For year ended Dec. 31, 1963

PLAN OF MERGER
of
CARDINAL MAINTENANCE CORP.
into
HARDER TREE SERVICE, INC.

1. The name of each constituent corporation is Harder Tree Service, Inc., and Cardinal Maintenance Corp., both of which are domestic corporations. Harder Tree Service, Inc., was formed under the name Harder Westchester Pest Control, Inc., which name was first duly changed to Harder Spray Service, Inc., and later duly changed to Harder Tree Service, Inc. The surviving corporation shall be Harder Tree Service, Inc. and its name shall remain Harder Tree Service, Inc.

2. The number of outstanding shares of Harder Tree Service, Inc. is one hundred (100) shares of capital stock without par value, all of which shares are entitled to vote. The number of outstanding shares of Cardinal Maintenance Corp. is ten (10) shares of capital stock without par value, all of which shares are entitled to vote. Such shares are the only class of shares of each such corporation outstanding.

3. (a) All the property, real and personal, including causes of action and every other asset of each

of the constituent corporations shall vest in the surviving corporation as of the effective date of the merger.

(b) The surviving corporation shall become liable for all the liabilities, obligations and penalties of each of the constituent corporations as of the effective date of the merger. No liability or obligation due or to become due, claim or demand for any cause existing against any constituent corporation, or any shareholder, officer or director thereof, shall be released or impaired by this merger. No action or proceeding, whether civil or criminal, then pending by or against any constituent corporation, or any shareholder, officer or director thereof, shall abate or be discontinued by this merger but may be enforced, prosecuted, settled or compromised as if this merger had not occurred, or the surviving corporation may be substituted in such action or special proceeding in place of any constituent corporation.

(c) All the outstanding shares of capital stock of Cardinal Maintenance Corp., a constituent corporation, consisting of ten (10) shares, shall be converted into and become twenty-two (22) shares of capital stock of the surviving corporation.

(d) All of the outstanding shares of stock of

Harder Tree Service, Inc., a constituent corporation, consisting of one hundred (100) shares, shall be converted into and become one hundred seventy-eight (178) shares of capital stock of the surviving corporation..

(c) After the effective date of the merger, each holder of an outstanding certificate or certificates previously representing capital stock of Cardinal Maintenance Corp., a constituent corporation, or Harder Tree Service, Inc., a constituent corporation, shall surrender the same to the surviving corporation for cancellation, and such holder shall be entitled, upon such surrender, to receive in exchange therefor a certificate or certificates representing the number of shares of capital stock of the surviving corporation into which the shares of capital stock of Cardinal Maintenance Corp., a constituent corporation, or Harder Tree Service, Inc., a constituent corporation, previously represented by the certificate or certificates so surrendered shall have been converted as aforesaid. Until so surrendered each outstanding certificate, which prior to the effective date of the merger represented shares of capital stock of Cardinal Maintenance Corp., a constituent corporation, or Harder Tree Service, Inc., a constituent corporation, shall be deemed for all purposes to evidence the ownership of the number

of shares of capital stock of the surviving corporation into which such shares of capital stock shall have been so converted, each of which shares of capital stock of the surviving corporation shall be, and shall be deemed to be, fully paid and nonassessable.

(f) At any time prior to the filing of the Certificate of Merger, this Plan of Merger may be abandoned by the mutual consent of both corporations.

4. The certificate of incorporation of Harder Tree Service, Inc., a constituent corporation, filed in the office of the Secretary of State on March 8, 1957, and amended on January 6, 1959 and on October 14, 1960, will be the certificate of incorporation of the surviving corporation, with no amendments or changes.

5. (a) The effective date of this merger will be the date a Certificate of Merger containing this Plan shall be filed by the Department of State.

(b) The directors and officers of the surviving corporation shall be the persons who are the directors and officers of Harder Tree Service, Inc., the constituent corporation, on the effective date of the merger.

EMPLOYMENT COVENANT CONTRACT

OF

HARDER TREE SERVICE, INC.

This agreement made this day of
1964 between HARDER TREE SERVICE, INC., a New York corpo-
ration having its principal place of business at
63 Jerusalem Avenue, Village of Hempstead, Nassau County,
State of New York, hereinafter called the party of the
first part; and PHILIP A. ROGERS, residing at Willets Road,
Old Westbury, New York, hereinafter called the party of the
second part.

WHEREAS, the party of the first part and its
affiliates are engaged in the business of (a) manufactur-
ing and selling extermination products, (b) rendering
general extermination and termite control service, (c)
rendering tree service, tree maintenance and related
services, and (d) rendering cleaning services to business
concerns; and

WHEREAS, the party of the first part and its
affiliates in its aforesaid business uses certain trade
secrets and secret processes of preparation and manufac-
ture which will necessarily be communicated to the party
of the second part by virtue of his employment by the
party of the first part; and also

2

WHEREAS, the party of the first part and its affiliates will introduce and instruct the party of the second part in the methods, processes and general conduct of the extermination and termite control business; and

WHEREAS, the party of the first part desires to protect and preserve the said methods, formulas and preparations as secrets for its own use.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. The party of the second part hereby agrees to enter into the services of the party of the first part and the latter hereby agrees to employ the party of the second part in and about its aforesaid business from August 1, 1964 for an indefinite period at a minimum salary of \$1,000 per month, subject, however, to the right of either of the parties of this contract to cancel and terminate said employment upon two weeks' notice to the other party, said notice to be in writing and to be either personally served or sent by registered mail to the other party at the address hereinabove stated.

2. That during the term of said employment the party of the second part shall devote all his time and attention and give his best effort and skill exclusively

to the business and interest of the party of the first part and its affiliates and shall perform such services of an executive nature in and about such business of the party of the first part and its affiliates as may from time to time be assigned to him and shall in all respects do his utmost to further, enhance and develop the business interest and welfare of the party of the first part.

3. The party of the second part covenants and agrees that during the term of his employment, and for five (5) years thereafter if his employment is terminated by the party of the first part for any reason at any time after July 31, 1966, he will not work directly or indirectly as the employee of or render any service to any other person, partnership or corporation, engaged in the business within the boundary lines of Nassau and Suffolk counties in the State of New York of (a) manufacturing or selling extermination products, (b) rendering general extermination service or termite control service, (c) rendering tree service, tree maintenance and related services, and (d) rendering cleaning service to business concerns; and, that during said term, and for five (5) years thereafter if his employment is terminated by the party of the first part for any reason at any time after July 31, 1966, he will not engage in such business on his own account or become inter-

ested therein directly or indirectly as an individual, partnership, stock holder, director, clerk, officer, principal, agent, employee, trustee or in any other relation or capacity whatsoever.

4. That the party of the second part covenants and agrees that he will not, during the term of this agreement and for five (5) years thereafter, whether in the employment of the party of the first part or not, communicate, divulge or use for the benefit of any other person, partnership or corporation any of the trade secrets or secret processes of manufacture or methods of extermination or termite control policies, prices, etc., used or employed by the party of the first part in and about its business which may be communicated to the party of the second part by virtue of his employment hereunder.

5. The parties hereto further agree that the provisions of paragraphs (3) and (4) herein shall remain in full force and effect as therein provided notwithstanding the fact that said employment may be terminated pursuant to the terms of paragraph (1) by either of the parties hereto.

IN WITNESS WHEREOF, the party of the first part has hereunto set its hand and seal by a duly authorized

Executive Officer, and the party of the second part has
hereunto set his hand and seal the day and year first
above written.

HARDER TREE SERVICE, INC.

Attest:

By _____

Secretary

Witness:

Philip A. Rogers

.....

STOCK OPTION AGREEMENT

AGREEMENT, entered into this 31 day of July 1964, between HARDER TREE SERVICE, INC., a New York corporation whose address is 63 Jerusalem Avenue, Hempstead, New York (hereinafter called "Tree Service"), F. KENNETH HARDER, residing at 89 Jerusalem Avenue, Hempstead, New York (hereinafter called "Harder") and PHILIP A. ROGERS, residing at Willets Road, Old Westbury, New York (hereinafter called "Rogers").

In consideration of the mutual covenants herein set forth, and other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto agree as follows:

1. Option to Purchase Granted to Tree Service.

Rogers hereby grants to Tree Service an option to purchase all or any part of the shares of stock of Tree Service now owned by Rogers for a period of six months commencing with the date of the termination of Rogers' employment with Tree Service for any reason, including death. The price on the exercise of such option shall be at an option price calculated in accordance with the provisions of Section 5 hereof.

2. Exercise of Option to Purchase Granted to Tree Service. The option to purchase herein granted to Tree Service may be exercised by Tree Service giving to the record owner of such shares, or his heirs, executors, administrators or other representatives, as the case may be, written notice of the exercise of such option specifying a place and a time, not less than ten (10) nor more than twenty (20) days after the date of such notice at which such shares will be acquired and payment made therefor. The certificates for such shares shall be presented at such time and place, duly endorsed for transfer with the required stock transfer stamps affixed, and shall be delivered to the purchaser upon the payment of the option price in cash or by certified check.

3. Option to Sell Granted to Rogers. Tree Service hereby grants to Rogers and his transferees an option to sell to Tree Service all or any part of the shares of stock of Tree Service now owned by Rogers,

- (a) for a period of six months commencing with the date of Rogers' death;
- (b) for a period of six months commencing with the date of termination of Rogers' employment with Tree Service for any reason other than death or Rogers'

- resigning as an employee of Tree Service; and
- (c) for a period of six months commencing with the date of Rogers' resigning as an employee because his annual rate of salary, excluding bonuses, from Tree Service at the time of his resignation is less than his annual rate of salary, excluding bonuses, in the two calendar years immediately preceding the date of his resignation, it being understood that his annual rate of salary, excluding bonuses, for the two calendar years prior to 1966 shall be deemed to be \$12,000.

The price on the exercise of such option shall be an option price calculated in accordance with the provisions of Section 5 hereof.

The obligation of Tree Service to purchase under this Section shall be limited to the number of shares that legally may be acquired by Tree Service at the time of purchase. Harder agrees personally to purchase from Rogers at an option price calculated in accordance with the provisions of Section 5 hereof, any shares of stock with respect to which the option is exercised under this Section and which Tree Service is legally unable to purchase. In the case of Harder such purchase price shall be payable 20% in cash and 80% in a negotiable promissory note due in four equal annual installments, the first installment of which shall

be due one year from the date of the sale of such stock, with interest at the rate of 5½ per annum payable semi-annually. Harder shall have the right to prepay such note, in whole or in part, at any time commencing one year from the date of the sale of the stock for which such note is issued.

4. Exercise of Option to Sell Granted to Rogers.

The option to sell herein granted to Rogers may be exercised, in whole or in part, by the owner of the shares covered by the option giving to Tree Service and Harder written notice of the exercise of such option, specifying a place and a time, not less than six (6) months nor more than seven (7) months after the date of such notice, at which such shares shall be sold and payment made therefor. The certificates for such shares shall be presented at such time and place, duly endorsed for transfer with the required stock transfer stamps affixed, and shall be delivered to Tree Service or its successors and Harder, as the case may be, upon payment of the option price in respect of such shares in cash or by certified check.

5. Option Price. The option price referred to in Sections 1 and 3 hereof shall be an amount in dollars determined by multiplying the value of all of the outstanding stock of Tree Service by a fraction of which the numerator is the number of shares being sold and the de-

nominator is the total number of shares of stock of Tree Service outstanding on the last day of the calendar month immediately preceding the month in which the right to exercise the option arose. The value of all of the outstanding stock of Tree Service shall be an amount equal to the average annual gross receipts of Tree Service and all of its subsidiaries consolidated for the twenty-four calendar months ending on the last day of the calendar month immediately preceding the month in which the right to exercise the option arose, except that if the right to exercise the option arises on or before August 1, 1967 such value shall be an amount equal to the annual gross receipts of Tree Service and all of its subsidiaries consolidated for the twelve calendar months ending on the last day of the calendar month immediately preceding the month in which the right to exercise arose. Such receipts shall be computed in accordance with the accrual method of accounting and shall include the receipts of any business required by Tree Service for stock of Tree Service.

6. Right of First Refusal. If at any time while Rogers is an employee of Tree Service, and for six months after the termination of his employment with Tree Service for any reason, including death, Rogers or his transferee shall desire to sell or otherwise transfer, any of the shares of stock of Tree Service now owned by Rogers, the person so desiring to sell or transfer (in this Section referred to as

the "Seller") shall first give to Tree Service a preferential right to acquire such shares of stock in the following manner:

The Seller shall give to Tree Service a written notice (a) stating the price (the "Refusal Price") in money (or in other consideration readily reducible as of that time to a specific amount of money), and the terms of payment of such price at and upon which such shares of stock can be sold or transferred to others pursuant to a bona fide offer, without other collateral, terms or conditions, and the name and address or names and addresses of the prospective purchaser or purchasers of such shares of stock; and (b) granting to Tree Service an option exercisable as herein provided at any time within ninety days thereafter to purchase or acquire such shares of stock at the Refusal Price. If prior to the expiration of said ninety days Tree Service shall elect to exercise such option and shall stand ready to pay the Refusal Price and otherwise comply with the terms of said option, the shares of stock covered by said option shall be transferred by the Seller to Tree Service on payment of the Refusal Price. If prior to the expiration of said ninety days Tree Service shall elect not to exercise such option, the Seller shall be entitled, for a period of sixty days

after the expiration of said ninety days, in good faith to sell or transfer such shares of stock to the prospective purchaser or purchasers specified in said notice from the Seller at not less than the Refusal Price and upon the terms of payment thereof set forth in said notice. If the Seller shall not so sell or transfer such shares of stock within said sixty days, such shares of stock shall continue subject in all respects to the provisions of this agreement.

7. Reorganization. If the outstanding stock of Tree Service is changed or exchanged, whether by declaration of a stock dividend, stock split, combination of shares, recapitalization, merger or other reorganization, the new shares of stock shall be subject to the terms and conditions of this agreement.

8. Legend on Stock Certificate. Every certificate of shares of stock subject to this agreement, including certificates of shares of stock issued under Section 7 hereof, shall, so long as this agreement remains in effect, bear a legend typewritten upon said certificate, substantially in the following form:

"Notice is hereby given that this certificate and the shares represented hereby are held subject to the terms of a certain agreement dated August , 1964 between Harder Tree Service, Inc.,

F. Kenneth Harder and Philip A. Rogers, which agreement provides that the shares represented by this certificate are subject to an option and a right of first refusal in Harder Tree Service, Inc., a copy of which agreement is available for inspection at the office of Harder Tree Service, Inc.

9. Successors and Assigns. This agreement shall accrue to the benefit of and be binding upon the parties hereto, their legal representatives, successors and assigns, and shall attach to and run with the shares of stock which it concerns.

IN WITNESS WHEREOF, the parties hereto have executed this agreement the day and year first above written.

HARDER TREE SERVICE, INC.

By _____

F. Kenneth Harder

Philip A. Rogers

AGREEMENT

between

HARDER TREE SERVICE, INC.

and

CARDINAL MAINTENANCE, INC.

Dated July 31, 1964

MEYER, KISSEL, MATZ & SEWARD
25 BROAD STREET
NEW YORK 4, N. Y.

AGREEMENT

AGREEMENT, made this 31st day of July, 1964, between HARDER TREE SERVICE, INC., a New York corporation with its principal office at 63 Jerusalem Avenue, Hempstead, New York (hereinafter called "Harder"), and CARDINAL MAINTENANCE, INC., a New York corporation with its principal office also located at 63 Jerusalem Avenue, Hempstead, New York (hereinafter called "Cardinal, Inc.").

WHEREAS, Harder is a corporation duly organized under the laws of the State of New York and has acquired this day by merger with Cardinal Maintenance Corp., also formerly a New York corporation, all of the assets of said Cardinal Maintenance Corp., and

WHEREAS, Cardinal, Inc., is a New York corporation duly organized under the laws of the State of New York and has an authorized capital stock consisting of 2,000 shares of common stock of the par value of \$10.00 per share, none of which said 2,000 shares of common stock are outstanding; and

WHEREAS, Harder desires to assign, transfer and set over unto Cardinal, Inc., all of the assets formerly of

said Cardinal Maintenance Corp. acquired by its merger with said Cardinal Maintenance Corp., provided Cardinal, Inc., shall assume all of the debts and liabilities of said Cardinal Maintenance Corp. which said Cardinal Maintenance Corp. was subject to at the time of the above-referred-to merger in exchange for 100 shares of the common stock of the par value of \$10.00 per share of Cardinal, Inc.;

NOW, THEREFORE, IT IS HEREBY MUTUALLY AGREED
AS FOLLOWS:

1. Harder hereby assigns, transfers and sets over all the property and assets, both tangible and intangible, of whatsoever nature and description and wheresoever situate, including, but without limitation of the generality of the foregoing hereby, all leases, choses in action, trade acceptances, bills of exchange, checks, drafts, notes, accounts receivable, causes of action, judgments, debts, bonds, contracts, insurance policies of every kind, and obligations of every value and description, goods, materials, supplies, cash and other assets, property and estate of every kind which it acquired this date through its merger with said Cardinal Maintenance Corp. but only such assets.

2. Immediately upon the execution hereof, Cardinal, Inc., agrees to issue 100 shares of its common stock of the par value of \$10.00 per share to Harder.

3. In further consideration of the premises, Cardinal, Inc., for itself, its successors and assigns, hereby assumes and covenants to pay and fully discharge, in due course, to the acquittal of Harder, all of the debts, liabilities and obligations of said Cardinal Maintenance Corp. at the time of its merger with Harder.

4. Harder does hereby covenant and agree with Cardinal, Inc., its successors and assigns, that Harder, its successors and assigns, will do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered to Cardinal, Inc., its successors and assigns, or to its nominee or nominees, any and all such further bills of sale, deeds, acts, transfers, assignments, instruments, conveyances, powers-of-attorney, and assurances as Cardinal, Inc., may demand for the better assuring, conveying and confirming unto Cardinal, Inc., its successors and assigns and nominees, all and singular, the property, assets, rights and privileges herein

assigned, transferred and set over to Cardinal, Inc., hereunder.

5. This agreement shall inure to the benefit of and shall bind the respective parties hereto, their successors and assigns.

IN WITNESS WHEREOF, the parties hereto have duly executed this agreement on the day and year first above written.

HARDER TREE SERVICE, INC.

By

Nick J. Solis
Vice

President

ATTEST:

John J. Harder

Secretary

CARDINAL MAINTENANCE, INC.

By

Philip A. Ryan

President

ATTEST:

John J. Harder

Secretary

St. Ex. 8-H

EMPLOYMENT COVENANT CONTRACT

of

HARDER TREE SERVICE, INC.

between

HARDER TREE SERVICE, INC.

and

PHILIP A. ROGERS

Dated July 11, 1964

MEYER, KISSEL, MATZ & SEWARD
25 BROAD STREET
NEW YORK, N. Y. 10004

EMPLOYMENT COVENANT CONTRACT

OF

HARDER TREE SERVICE, INC.

This agreement made this *31st* day of *July*, 1964 between HARDER TREE SERVICE, INC., a New York corporation having its principal place of business at 63 Jerusalem Avenue, Village of Hempstead, Nassau County, State of New York, hereinafter called the party of the first part; and PHILIP A. ROGERS, residing at Willets Road, Old Westbury, New York, hereinafter called the party of the second part.

WHEREAS, the party of the first part and its affiliates are engaged in the business of (a) manufacturing and selling extermination products, (b) rendering general extermination and termite control service, (c) rendering tree service, tree maintenance and related services, and (d) rendering cleaning services to business concerns; and

WHEREAS, the party of the first part and its affiliates in its aforesaid business uses certain trade secrets and secret processes of preparation and manufacture which will necessarily be communicated to the party of the second part by virtue of his employment by the party of the first part; and also

BEST COPY AVAILABLE

WHEREAS, the party of the first part and its affiliates will introduce and instruct the party of the second part in the methods, processes and general conduct of the extermination and termite control business; an

WHEREAS, the party of the first part desires to protect and preserve the said methods, formulas and preparations as secrets for its own use.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. The party of the second part hereby agrees to enter into the services of the party of the first part and the latter hereby agrees to employ the party of the second part in and about its aforesaid business from August 1, 1964 for an indefinite period at a minimum salary of \$1,000 per month, subject, however, to the right of either of the parties of this contract to cancel and terminate said employment upon two weeks' notice to the other party, said notice to be in writing and to be either personally served or sent by registered mail to the other party at the address hereinabove stated.

2. That during the term of said employment the party of the second part shall devote all his time and attention and give his best effort and skill exclusively

to the business and interest of the party of the first part and its affiliates and shall perform such services of an executive nature in and about such business of the party of the first part and its affiliates as may from time to time be assigned to him and shall in all respects do his utmost to further, enhance and develop the business interest and welfare of the party of the first part.

3. The party of the second part covenants and agrees that during the term of his employment, and for five (5) years thereafter if his employment is terminated by the party of the first part for any reason at any time after July 31, 1966, he will not work directly or indirectly as the employee of or render any service to any other person, partnership or corporation, engaged in the business within the boundary lines of Nassau and Suffolk counties in the State of New York of (a) manufacturing or selling extermination products, (b) rendering general extermination service or termite control service, (c) rendering tree service, tree maintenance and related services, and (d) rendering cleaning service to business concerns; and, that during said term, and for five (5) years thereafter if his employment is terminated by the party of the first part for any reason at any time after July 31, 1966, he will not engage in such business on his own account or become inter-

ested therein directly or indirectly as an individual, partnership, stock holder, director, clerk, officer, principal, agent, employee, trustee or in any other relation or capacity whatsoever.

4. That the party of the second part covenants and agrees that he will not, during the term of this agreement and for five (5) years thereafter, whether in the employment of the party of the first part or not, communicate, divulge or use for the benefit of any other person, partnership or corporation any of the trade secrets or secret processes of manufacture or methods of extermination or termite control policies, prices, etc., used or employed by the party of the first part in and about its business which may be communicated to the party of the second part by virtue of his employment hereunder.

5. The parties hereto further agree that the provisions of paragraphs (3) and (4) herein shall remain in full force and effect as therein provided notwithstanding the fact that said employment may be terminated pursuant to the terms of paragraph (1) by either of the parties hereto.

IN WITNESS WHEREOF, the party of the first part has hereunto set its hand and seal by a duly authorized

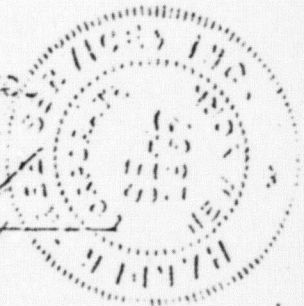
Executive Officer, and the party of the second part has
hereunto set his hand and seal the day and year first
above written.

HARDER TREE SERVICE, INC.

Attest:

By

Robert J. Philip
Vice President



Henry J. Harder
Secretary

Witness:

Philip A. Rogers
Philip A. Rogers

Richard H. Valenti

Jt. Ex. 9-I

STOCK OPTION AGREEMENT

between

HARDER TREE SERVICE, INC.

and

P. KENNETH HARDER and PHILIP A. ROGERS

Dated July 31, 1964

MEYER, KISSEL, MATZ & SEWARD
25 BROAD STREET
NEW YORK, N. Y. 10004

STOCK OPTION AGREEMENT

AGREEMENT, entered into this 31st day of July, 1964, between HARDER TREE SERVICE, INC., a New York corporation whose address is 63 Jerusalem Avenue, Hempstead, New York (hereinafter called "Tree Service"), F. KENNETH HARDER, residing at 89 Jerusalem Avenue, Hempstead, New York (hereinafter called "Harder") and PHILIP A. ROGERS, residing at Willets Road, Old Westbury, New York (hereinafter called "Rogers").

In consideration of the mutual covenants herein set forth, and other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto agree as follows:

1. Option to Purchase Granted to Tree Service.

Rogers hereby grants to Tree Service an option to purchase all or any part of the shares of stock of Tree Service now owned by Rogers for a period of six months commencing with the date of the termination of Rogers' employment with Tree Service for any reason, including death. The price on the exercise of such option shall be at an option price calculated in accordance with the provisions of Section 5 hereon.

2. Exercise of Option to Purchase Granted to Tree Service. The option to purchase herein granted to Tree Service may be exercised by Tree Service giving to the record owner of such shares, or his heirs, executors, administrators or other representatives, as the case may be, written notice of the exercise of such option specifying a place and a time, not less than ten (10) nor more than twenty (20) days after the date of such notice at which such shares will be acquired and payment made therefor. The certificates for such shares shall be presented at such time and place, duly endorsed for transfer with the required stock transfer stamps affixed, and shall be delivered to the purchaser upon the payment of the option price in cash or by certified check.

3. Option to Sell Granted to Rogers. Tree Service hereby grants to Rogers and his transferees an option to sell to Tree Service all or any part of the shares of stock of Tree Service now owned by Rogers,

- (a) for a period of six months commencing with the date of Rogers' death;
- (b) for a period of six months commencing with the date of termination of Rogers' employment with Tree Service for any reason other than death or Rogers'

- resigning as an employee of Tree Service; and
- (c) for a period of six months commencing with the date of Rogers' resigning as an employee because his annual rate of salary, excluding bonuses, from Tree Service at the time of his resignation is less than his annual rate of salary, excluding bonuses, in the two calendar years immediately preceding the date of his resignation, it being understood that his annual rate of salary, excluding bonuses, for the two calendar years prior to 1966 shall be deemed to be \$12,000.

The price on the exercise of such option shall be an option price calculated in accordance with the provisions of Section 5 hereof.

The obligation of Tree Service to purchase under this Section shall be limited to the number of shares that legally may be acquired by Tree Service at the time of purchase. Harder agrees personally to purchase from Rogers at an option price calculated in accordance with the provisions of Section 5 hereof, any shares of stock with respect to which the option is exercised under this Section and which Tree Service is legally unable to purchase. In the case of Harder such purchase price shall be payable 20% in cash and 80% in a negotiable promissory note due in four equal annual installments, the first installment of which shall

be due one year from the date of the sale of such stock, with interest at the rate of 5% per annum payable semi-annually. Harder shall have the right to prepay such note, in whole or in part, at any time commencing one year from the date of the sale of the stock for which such note is issued.

4. Exercise of Option to Sell Granted to Rogers.

The option to sell herein granted to Rogers may be exercised, in whole or in part, by the owner of the shares covered by the option giving to Tree Service and Harder written notice of the exercise of such option, specifying a place and a time, not less than six (6) months nor more than seven (7) months after the date of such notice, at which such shares shall be sold and payment made therefor. The certificates for such shares shall be presented at such time and place, duly endorsed for transfer with the required stock transfer stamps affixed, and shall be delivered to Tree Service or its successors and Harder, as the case may be, upon payment of the option price in respect of such shares in cash or by certified check.

5. Option Price. The option price referred to in Sections 1 and 3 hereof shall be an amount in dollars determined by multiplying the value of all of the outstanding stock of Tree Service by a fraction of which the numerator is the number of shares being sold and the de-

nominator is the total number of shares of stock of Tree Service outstanding on the last day of the calendar month immediately preceding the month in which the right to exercise the option arose. The value of all of the outstanding stock of Tree Service shall be an amount equal to the average annual gross receipts of Tree Service and all of its subsidiaries consolidated for the twenty-four calendar months ending on the last day of the calendar month immediately preceding the month in which the right to exercise the option arose, except that if the right to exercise the option arises on or before August 1, 1967 such value shall be an amount equal to the annual gross receipts of Tree Service and all of its subsidiaries consolidated for the twelve calendar months ending on the last day of the calendar month immediately preceding the month in which the right to exercise arose. Such receipts shall be computed in accordance with the accrual method of accounting and shall include the receipts of any business required by Tree Service for stock of Tree Service.

6. Right of First Refusal. If at any time while Rogers is an employee of Tree Service, and for six months after the termination of his employment with Tree Service for any reason, including death, Rogers or his transferee shall desire to sell or otherwise transfer, any of the shares of stock of Tree Service now owned by Rogers, the person so desiring to sell or transfer (in this Section referred to as

the "Seller") shall first give to Tree Service a preferential right to acquire such shares of stock in the following manner:

The Seller shall give to Tree Service a written notice (a) stating the price (the "Refusal Price") in money (or in other consideration readily reducible as of that time to a specific amount of money), and the terms of payment of such price at and upon which such shares of stock can be sold or transferred to others pursuant to a bona fide offer, without other collateral, terms or conditions, and the name and address or names and addresses of the prospective purchaser or purchasers of such shares of stock; and (b) granting to Tree Service an option exercisable as herein provided at any time within ninety days thereafter to purchase or acquire such shares of stock at the Refusal Price. If prior to the expiration of said ninety days Tree Service shall elect to exercise such option and shall stand ready to pay the Refusal Price and otherwise comply with the terms of said option, the shares of stock covered by said option shall be transferred by the Seller to Tree Service on payment of the Refusal Price. If prior to the expiration of said ninety days Tree Service shall elect not to exercise such option, the Seller shall be entitled, for a period of sixty days

after the expiration of said ninety days, in good faith to sell or transfer such shares of stock to the prospective purchaser or purchasers specified in said notice from the Seller at not less than the Refusal Price and upon the terms of payment thereof set forth in said notice. If the Seller shall not so sell or transfer such shares of stock within said sixty days, such shares of stock shall continue subject in all respects to the provisions of this agreement.

7. Reorganization. If the outstanding stock of Tree Service is changed or exchanged, whether by declaration of a stock dividend, stock split, combination of shares, recapitalization, merger or other reorganization, the new shares of stock shall be subject to the terms and conditions of this agreement.

8. Legend on Stock Certificate. Every certificate of shares of stock subject to this agreement, including certificates of shares of stock issued under Section 7 hereof, shall, so long as this agreement remains in effect, bear a legend typewritten upon said certificate, substantially in the following form:

"Notice is hereby given that this certificate and the shares represented hereby are held subject to the terms of a certain agreement dated August , 1964 between Harder Tree Service, Inc.,

F. Kenneth Harder and Philip A. Rogers, which agreement provides that the shares represented by this certificate are subject to an option and a right of first refusal in Harder Tree Service, Inc., a copy of which agreement is available for inspection at the office of Harder Tree Service, Inc.

9. Successors and Assigns. This agreement shall accrue to the benefit of and be binding upon the parties hereto, their legal representatives, successors and assigns, and shall attach to and run with the shares of stock which it concerns.

IN WITNESS WHEREOF, the parties hereto have executed this agreement the day and year first above written.

HARDER TREE SERVICE, INC.

By Robert Felix
Vice President

F. Kenneth Harder
F. Kenneth Harder

Philip A. Rogers
Philip A. Rogers

HARDER TREE SERVICE, INC.MINUTES OF SPECIAL MEETING OF BOARD OF DIRECTORS

A special meeting of the board of directors of Harder Tree Service, Inc., was held at 63 Jerusalem Avenue, Hempstead, New York, on July 23, 1964, at 4:20 o'clock in the afternoon.

There were present: F. Kenneth Harder, Frank K. Harder and Helen T. Harder, constituting all of the directors.

Mr. F. Kenneth Harder acted as chairman and Mrs. Helen T. Harder acted as secretary of the meeting.

The secretary presented and read a waiver of notice signed by all the directors. The chairman directed that such waiver of notice be filed with the minutes of the meeting.

The chairman stated that discussions had taken place with respect to the merging into the corporation of Cardinal Maintenance Corp., a New York corporation. The secretary presented a written plan of merger to the meeting which was ordered filed with the minutes of the meeting.

After discussion, on motion duly made, seconded and unanimously carried, it was

RESOLVED that the plan of merger presented to the meeting be and the same hereby is approved; and be it further

RESOLVED that said plan of merger as approved be submitted to a vote of shareholders of the corporation; and be it further

RESOLVED that the president and secretary be and they hereby are authorized and directed to execute, deliver and file wherever required by law a certificate of merger giving effect to said plan of merger, and to do all other things and acts in their sole discretion necessary or required in furtherance of accomplishing the same.

The chairman stated that it was appropriate for the corporation to enter into an agreement for merger. The secretary presented to the meeting an agreement for merger to be entered into among F. Kenneth Harder, Harder Tree Service, Inc., Philip A. Rogers and Cardinal Maintenance Corp. which was ordered filed with the minutes of the meeting.

Thereupon, after discussion, on motion duly made, seconded and unanimously carried, it was

RESOLVED that the president of the corporation be and he hereby is authorized and directed to execute on behalf of the corporation, an agreement for merger with Cardinal Maintenance Corp., a New York corporation, such agreement to be substantially in the form presented to the meeting with such changes therein as the president, in his sole discretion, shall deem advisable.

The chairman invited the attention of the board to paragraph 4 of the above-referred-to agreement for merger which pertains to the employment by the corporation of Philip A. Rogers immediately after the above-referred-to merger becomes effective. The secretary presented a form of employment covenant contract to be entered into by the corporation and Philip A. Rogers which was ordered filed with the minutes of the meeting.

After discussion, on motion duly made, seconded and unanimously carried, it was

RESOLVED that the president of the corporation be and he hereby is authorized and directed to execute on behalf of the corporation immediately after the proposed merger between the corporation and Cardinal Maintenance Corp. becomes effective an employment covenant contract with Philip A. Rogers, such contract to be substantially in the form presented to the meeting with such changes therein as the president, in his sole discretion, shall deem advisable.

The chairman stated that there had been discussions with Philip A. Rogers concerning a stock option agreement to be entered into among the corporation, Mr. Rogers and himself, and invited the attention of the board to paragraph 5 of the above-referred-to agreement for merger. The secretary presented to the meeting a form of stock option agreement which was ordered filed with the minutes of the meeting.

After discussion, on motion duly made, seconded and unanimously carried, it was

RESOLVED that the president of the corporation be and he hereby is authorized and directed to execute on behalf of the corporation immediately after the proposed merger between the corporation and Cardinal Maintenance Corp. becomes effective a stock option agreement with F. Kenneth Harder and Philip A. Rogers, such contract to be substantially in the form presented to the meeting, with such changes therein as the president, in his sole discretion, shall deem advisable.

The president stated that it was deemed advisable to appoint Philip A. Rogers an officer of the corporation.

HARDER TREE SERVICE, INC.

MINUTES OF SPECIAL MEETING OF BOARD OF DIRECTORS

A special meeting of the board of directors of Harder Tree Service, Inc., was held at 63 Jerusalem Avenue, Hempstead, New York, on July 31, 1964, at 5 o'clock in the afternoon.

There were present: F. Kenneth Harder and Helen T. Harder, constituting a majority of the directors.

Mr. F. Kenneth Harder acted as chairman and Mrs. Helen T. Harder acted as secretary of the meeting.

The secretary presented and read a Waiver of Notice signed by all the directors. The chairman directed that such Waiver of Notice be filed with the Minutes of the meeting.

The Minutes of the board of directors meeting held on July 23, 1964 were read and approved as read.

The chairman stated that notification had been received that the Certificate of Merger of the corporation with Cardinal Maintenance Corp., the execution of which was directed at the above-referred-to meeting of the board of directors of the corporation, had been delivered to the Department of State of the State of New York, was accepted for filing thereby, and the merger was therefore, as he had been advised by counsel, effective as of July 31, 1964.

The chairman stated that new certificates had been issued representing shares of stock in the merged corporation in accordance with the provisions of the Merger Agreement.

The chairman then stated that it was in order to fix the amount of capital of the corporation.

Thereupon, after discussion, on motion duly made, seconded and unanimously carried, it was

RESOLVED that \$10,000 of the capital and surplus of the corporation be allocated to stated capital.

The chairman stated that it was thought to be most beneficial to have the assets of Cardinal Maintenance Corp. acquired as a result of the merger to be transferred into a new corporation which would become a wholly-owned subsidiary of the corporation. He further stated that a new New York corporation which was named Cardinal Maintenance, Inc., had been formed for this purpose. The secretary presented to the meeting a form of agreement the purpose of which was to accomplish such objective.

Thereupon, after discussion, on motion duly made, seconded and unanimously carried, it was

RESOLVED that the president of the corporation be and he hereby is authorized and directed to execute on behalf of the corporation, an agreement with Cardinal Maintenance, Inc., a New York corporation, substantially in the form presented to the meeting with such changes therein as the president, in his sole discretion, shall deem advisable, to transfer all of the assets acquired by the merger with Cardinal Maintenance Corp. to Cardinal Maintenance, Inc., a New York corporation, in exchange for the issuance to it by Cardinal Maintenance, Inc., of 100 shares of its common stock of the par value of \$10.00 per share and the assumption by Cardinal Maintenance, Inc., of all of the debts, liabilities and obligations of Cardinal Maintenance Corp. at the time of its merger with the corporation.

After discussion on motion duly made, seconded and unanimously carried, it was:

RESOLVED: that the action of the president in borrowing \$3000.00 from F. Kenneth Harder and \$3000.00 from Helen T. Harder, on July 19, 1964, and issuance in consideration thereof, two demand notes in the amount of \$3000.00 each bearing interest at the rate of 6% per annum, be and hereby is ratified and approved.

There being no further business to come before the meeting, upon motion duly made, seconded and unanimously carried, the meeting was adjourned.

Helen T. Harder
Secretary of the Meeting

F. Kenneth Harder
Chairman of the Meeting

MINUTES of a Special Meeting of the Board of Directors of
HARDER TREE SERVICE, INC. held at 63 Jerusalem Avenue, Hempstead,
L.I., New York on the 1st day of December, 1966, at 10:00 o'clock
a.m.

The following were present:

F. Kenneth Harder
Frank K. Harder
Helen T. Harder

constituting all of the Directors of HARDER
TREE SERVICE, INC.

F. Kenneth Harder, the Chairman, stated that the purpose of the meeting was to vote on the plan to pick up the option to buy up the outstanding Harder Tree Service, Inc. stock now held by Philip A. Rogers, which stock amounts to 11% of the issued stock of Harder Tree Service, Inc., in accordance with the conditions as stipulated in the contract of employment between Philip A. Rogers and Harder Tree Service, Inc., which contract was entered into when Harder Tree Service, Inc. negotiated with Cardinal Maintenance, Inc.

The Chairman stated that the stock option section of said contract required that the corporation pay a price for the outstanding stock equal to 11% of the total sales of Cardinal Maintenance, Inc. and Harder Tree Service, Inc. combined for the twelve months prior to the date of said purchase. The Chairman stated that this would amount to \$100,000.00 more or less.

It was thereafter duly moved and passed as follows:

That Harder Tree Service, Inc. request Harder Extermination Service,

Inc. to arrange the financing of the purchase on an all cash basis.

The Directors then voted that Harder Tree Service, Inc. give Harder Extermination Service, Inc. a demand note for the amount that is paid to repurchase the stock of Philip A. Rogers.

The Chairman then stated that the price here referred to, to repurchase said stock bears no reflection on the value of said stock; said price being arrived at by formula as set out in the Employment Contract between the said Philip A. Rogers and Harder Tree Service, Inc.

There being no further business to come before the meeting, the meeting was thereafter adjourned.

Dated: December 1st, 1966.

Helena J. Harder
Secretary

MINUTES OF SPECIAL MEETING OF
BOARD OF DIRECTORS

OF

HARDER TREE SERVICE, INC.

A special meeting of the board of directors of Harder Tree Service, Inc. was held on February 9, 1967.

The following directors were present:

F. Kenneth Harder
Frank K. Harder
Helen T. Harder

being all of the directors and a quorum for the transaction of business, said meeting taking place by telephone between F. Kenneth Harder and Helen T. Harder at Fort Lauderdale, Florida, and Frank K. Harder at Hempstead, New York.

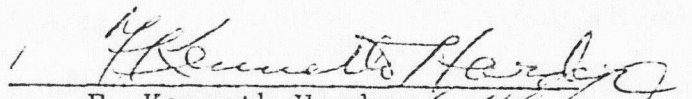
The aforesaid directors waived notice of this special meeting, which said notice is subscribed by the said directors and annexed to these minutes.

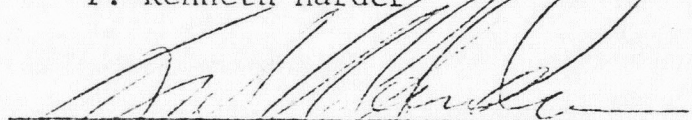
Frank K. Harder announced that earlier this morning Harder Tree Service, Inc. had acquired by purchase all of the shares of this company owned by Philip A. Rogers, and that as of January 31, 1967 Mr. Rogers' employment had been terminated. He further stated that upon closing of the purchase of said stock Mr. Rogers declined to tender his resignation as an

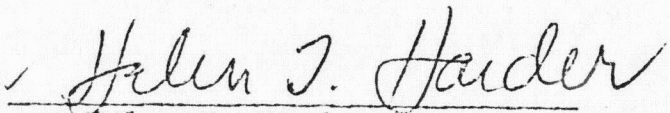
officer and Vice President of this company preferring instead that he be removed by action of the board of directors. Accordingly, it was unanimously

Resolved that Philip A. Rogers be and he hereby is removed as an officer and Vice President of Harder Tree Service, Inc., effective immediately.

There being no further business to come before the meeting, the same was adjourned.


F. Kenneth Harder

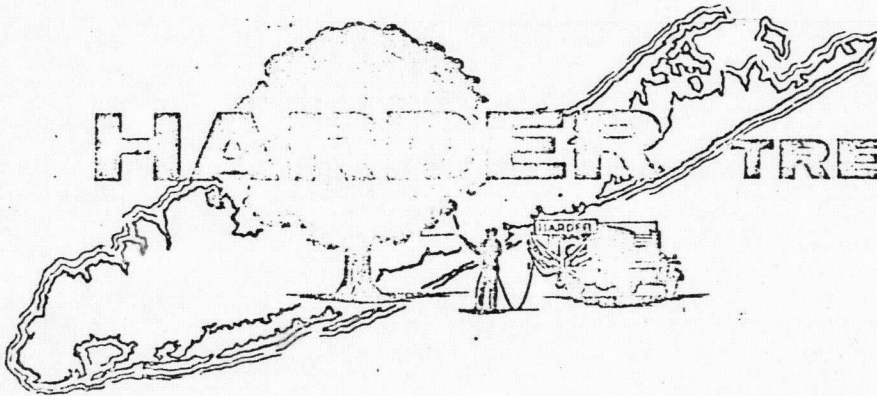

Frank K. Harder


Helen T. Harder

Jt. Ex. 12-2

"We Spray the Island"

HARDER TREE SERVICE, INC.



63 Jerusalem Avenue
Hempstead, New York
Area Code 516 IV 1-8700

January 4, 1967

Mr. Philip A. Rogers
Willets Road
Old Westbury, New York

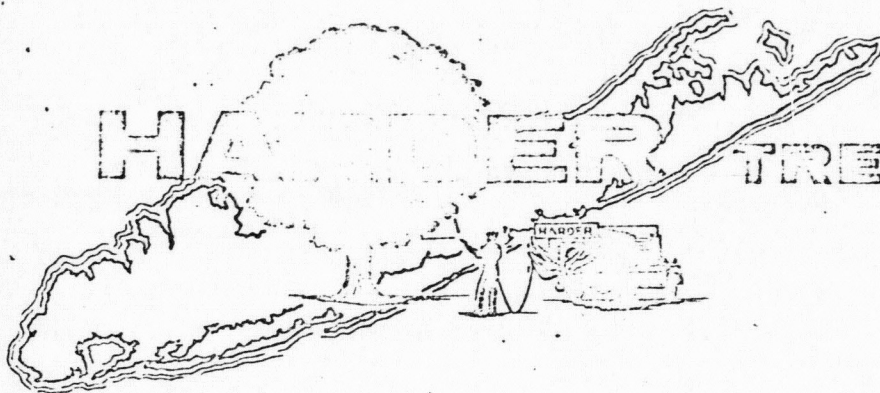
Dear Phil:

Harder Tree Service, Inc. hereby terminates your employment effective January 20, 1967. Notwithstanding the effective date of termination of employment, salary will be paid to you through January 31, 1967, partly to compensate you for vacation time that was not taken.

Very truly yours,

Frank K. Harder
President

FKH:ERZ



J4. Ex 13-M
"We Spray the Island"

63 Jerusalem Avenue
Hempstead, New York
Area Code 516 IV 1-2000

January 18, 1967

Mr. Philip A. Rogers
Willets Road
Old Westbury, New York

Dear Phil:

Harder Tree Service, Inc. hereby exercises its option, effective January 20, 1967, pursuant to its agreement with you dated July 31, 1964, to purchase all of the 22 shares of stock of Harder Tree Service, Inc. owned by you on July 31, 1964 at the aggregate option price of \$100,677.44, determined in accordance with said agreement.

Those shares will be acquired and payment made therefore at the offices of Harder Tree Service, Inc. at 63 Jerusalem Avenue, Hempstead, New York on February 9th, 1967 at 10:30 A. M. Upon presentation by you at that time and place of the certificate representing those shares, duly endorsed by you for transfer to Harder Tree Service, Inc., with the required stock transfer stamps affixed, a certified check for the said purchase price will be delivered to you.

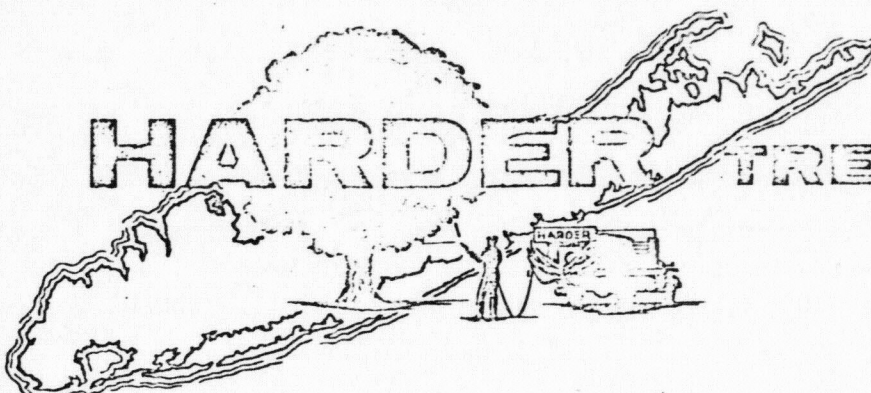
Harder Tree Service, Inc.

Frank K. Harder
President

SPRAYING — PRUNING — REMOVAL — CABLING — CAVITY WO

JA-EX. 14N
"We Spray the Island"

HARDER TREE SERVICE, INC.



63 Jerusalem Avenue
Hempstead, New York
Area Code 516 IV 1-8800

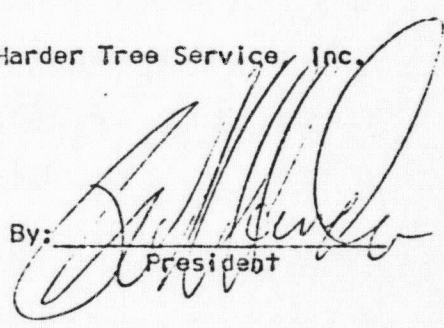
February 16, 1967

Mr. Philip A. Rogers
Willets Road
Old Westbury, New York

Dear Phil:

At a special meeting of the board of directors of Harder Tree Service, Inc., held on February 9, 1967, you were removed as an officer and vice president of Harder Tree Service, Inc., effective February 9, 1967.

Harder Tree Service, Inc.

By: 
President

SPRAYING — PRUNING — REMOVAL — CABLING — CAVITY WORK

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XERO
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XERO
COPY

XERO
COPY

JT-EX 15-0



Cardinal

MAINTENANCE, INC.

63 JERUSALEM AVE., HEMPSTEAD, N.Y. 11551 • IV 9-4500

Office Cleaning With the White Glove Touch

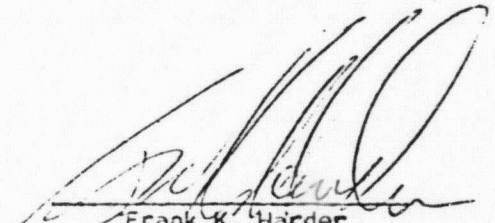
February 16, 1967

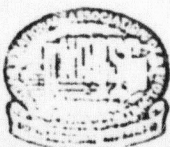
Mr. Phillip A. Rogers
Willets Road
Old Westbury, New York

Dear Phil:

By a special action of the stockholders of Cardinal Maintenance, Inc., taken on February 9, 1967, you were removed as director of Cardinal Maintenance, Inc., effective February 9, 1967.

At a special meeting of the board of directors of Cardinal Maintenance, Inc., held on February 9, 1967, subsequent to the aforesaid action of the stockholders of Cardinal Maintenance, Inc., you were removed as an officer and President of Cardinal Maintenance, Inc., effective February 9, 1967.


Frank K. Harder
Acting Chairman of the Board



JT. Ex. 16-P

February 9, 1967

Memorandum of Closing

Purchase by Harder Tree Service, Inc.
of 22 shares of stock of Harder Tree
Service, Inc. from Philip A. Rogers.

Closing took place at the offices of Harder Tree Service, Inc. at 63 Jerusalem Avenue, Hempstead, New York, at 10:30 A. M. on February 9, 1967. Present at closing were: Philip A. Rogers, seller; Richard Valentine, Esq. attorney for seller; Frank K. Harder, President of Harder Tree Service, Inc., the purchaser; Mark Wood, Controller of Harder Tree Service; Alfred A. Marra, Esq., attorney for purchaser; and Keith Baker.

Mr. Valentine affixed stock transfer tax stamps to and delivered certificate no. 2 for 22 shares of stock of Harder Tree Service, Inc. standing in the name of Philip A. Rogers, duly endorsed by Mr. Rogers, pursuant to the notice of Harder Tree Service, Inc. dated January 18, 1967, exercising its option pursuant to its option agreement with Mr. Rogers, dated July 31, 1964.

The aforesaid notice of January 18, 1967 set forth an option price of \$100,677.44, determined in accordance with said option agreement.

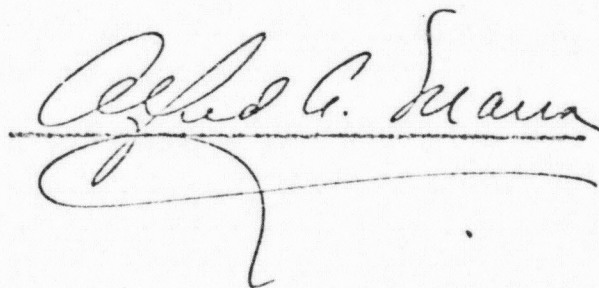
On January 24, 1967, Mr. Marra furnished Mr. Valentine with a statement prepared by Messrs. Byrnes & Baker showing the manner in which they computed the option price of \$100,677.44 pursuant to the formula contained in said option agreement. On February 6, 1967 Mr. Valentine advised Mr. Marra that he and Mr. Rogers accepted the figures of Messrs. Byrnes & Baker as correct. Accordingly, at closing, in consideration of the aforesaid transfer of said shares of stock and delivery of said certificate, Harder Tree Service, Inc. delivered to Mr. Rogers its certified check, no. 4581, dated February 8, 1967, in the amount of \$100,677.44, payable to the order of said Philip A. Rogers. Said check at the time of delivery

bore an endorsement on the reverse side thereof that the same constituted payment in full for said shares pursuant to said option agreement. This endorsement was duly noted by Mr. Valentine at the time of delivery.

Upon completion of closing, Mr. Wood requested Mr. Valentine to submit his resignation as an officer and director of Harder Tree Service, Inc., and/or Cardinal Maintenance, Inc. Mr. Valentine declined to do so and suggested instead that Mr. Rogers be removed by appropriate stockholder and Board action.

Mr. Valentine then asked that consideration be given to release of Mr. Rogers from the restrictive covenant contained in paragraph "3" of the employment contract between Harder Tree Service, Inc. and Philip A. Rogers, dated July 31, 1964. He was advised that this could not be considered at all at this time, but that it might be considered at some time and under some circumstances that may be appropriate in the future.

No further discussions or transactions took place and thereupon Messrs. Rogers and Valentine left the office.

Philip A. Rogers

Tr. Ex. 17-Q

BYRNES & BAKER
CERTIFIED PUBLIC ACCOUNTANTS
19 RECTOR STREET
NEW YORK 6, N. Y.

January 23, 1967

Harder Tree Service, Inc.
63 Jerusalem Avenue
Hempstead, New York

Dear Sirs:

This is the manner in which we computed the option purchase price in accordance with the terms of the option agreement dated July 31, 1964.

In brief, the net sales of Harder Tree Service Inc. and Cardinal Maintenance, Inc. for the months of January 1966 to December 1966 inclusive were totalled; from this total were deducted certain intercompany sales of Harder Tree Service, Inc. totalling \$18,337.18, mainly sales of arborist supplies and some services to Harder Extermination Service Inc. and Harder Woodland Tree Experts Inc. which were not deemed to be sales in the ordinary course of business which we believe were contemplated by the option agreement, and the sum of \$1,200, which represents an adjustment made in January 1967 of a billing in October 1966 to Pergament United Sales, Inc.

Sales figures were taken from the general books of the companies which were compiled in their customary manner and in accordance with accepted accounting principles and on the accrual basis.

The sales details by month are as follows:

<u>Month of 1966</u>	<u>Cardinal Maintenance Inc.</u>	<u>Harder Tree Service, Inc.</u>
January	\$ 34,891.10	\$ 23,561.45
February	35,525.92	18,431.20
March	40,051.70	40,123.04
April	39,765.88	42,862.51
May	41,618.06	47,972.58
June	42,180.46	52,525.53
July	47,616.27	46,338.96
August	48,474.00	38,710.17
September	50,987.80	24,017.37
October	53,820.15	27,818.93
November	52,256.97	19,737.14
December	55,151.27	10,348.15
<u>TOTAL</u>	<u>\$542,339.58</u>	<u>\$392,447.03</u>
Less: Intercompany Sales	-	18,337.18
Pergament Adjustment	<u>1,200.00</u>	-
<u>ADJUSTED TOTALS</u>	<u>\$541,139.58</u>	<u>\$374,109.85</u>

Harder Tree Service, Inc.
Hempstead, New York

The sales of each company were then totalled:

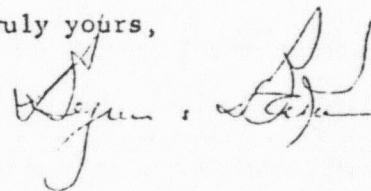
Cardinal Maintenance Inc.	\$541,139.58
Harder Tree Service, Inc.	<u>374,109.85</u>
	<u>\$915,249.43</u>

11% of the combined sales of \$915,249.43 is \$100,677.44, the option price computed in accordance with Section 5 of the subject agreement as it provides for a computation to be made if the right to exercise arose before August 1, 19 .

The 11%, also provided for in Section 5, is derived from a fraction the numerator of which is the number of shares of Harder Tree Service Inc. to be sold, 22, and the denominator of which is the total number of shares outstanding, 200, of the last day of the calendar month immediately preceding the month in which the right to exercise the option arose.

We will be pleased to assist you further in this matter at your request.

Very truly yours,



JA. EX 20-T

FORM 1120
U.S. Treasury Department
Internal Revenue Service

U.S. Corporation Income Tax Return
For the year January 1-December 31, 1966, or other taxable year beginning
1966, ending 19
(PLEASE TYPE OR PRINT)

1966

Check if—
A Sole proprietorship ☐ or
partnership ☐ electing under
sec. 1361 to be taxed as a
corporation.
B Consolidated return. ☐
C Personal Holding Co. ☐
D Business Code No. (see instr.)

Name
HARDER TREE SERVICE INC.
Number and street
63 JERUSALEM AVE.
City or town, State, and ZIP code
HEMPSTAD N.Y. 11550

E Employer Identification No.
11-1853015
F County in which located.
NASSAU
G Enter total assets from line
14 Sch. L (see instruction R).
164,534.72

8098

IMPORTANT—All applicable lines and schedules must be filled in. If the lines on the schedules are not sufficient, see instruction Q.

GROSS INCOME

1	Gross receipts or gross sales	Less: Returns and allowances	451,784.17
2	Less: Cost of goods sold (Schedule A) and/or operations (attach schedule)		276,195.76
3	Gross profit		175,588.41
4	Dividends (Schedule C)		
5	Interest on obligations of the United States and U.S. instrumentalities		
6	Other interest		
7	Rents		
8	Royalties		
9	Net gains (losses)—(separate Schedule D)		
10	Other income (attach schedule)		
11	TOTAL income—Add lines 3 through 10		175,588.41

DEDUCTIONS

12	Compensation of officers (Schedule E)	13,715.10
13	Salaries and wages (not deducted elsewhere)	53,775.91
14	Repairs (do not include cost of improvements or capital expenditures)	
15	Bad debts (Schedule F if reserve method is used)	
16	Rents	
17	Taxes (attach schedule)	13,004.46
18	Interest	441.80
19	Contributions (attach schedule—see instructions for limitation)	
20	Losses by fire, storm, shipwreck, other casualty, or theft (attach schedule)	
21	Amortization (attach schedule)	
22	Depreciation (Schedule G)	
23	Depletion (attach schedule)	
24	Advertising	44,171.72
25	(a) Pension, profit sharing, stock bonus, annuity plans (see instructions) (b) Other employee benefit plans (see instructions)	
26	Other deductions (attach schedule)	90,261.18
27	TOTAL deductions in lines 12 through 26	175,010.59
28	Taxable income before net operating loss deduction and special deductions (line 11 less line 27)	88.82
29	Less: (a) Net operating loss deduction (see instructions—attach schedule) (b) Special deductions (Schedule I)	
30	Taxable income (line 28 less line 29)	88.82

TAX

31	TOTAL income tax (Schedule J)	13.55
32	Credits: (a) Tax paid with Form 7004 application for extension (attach copy) (b) Payments and credits on 1966 declaration of estimated tax (c) Credit from regulated investment companies (attach Form 2439) (d) Credit for U.S. tax on nonhighway gas. and lub. oil (attach Form 4136)	
33	If tax (line 31) is larger than credits (line 32), the balance is TAX DUE. Enter balance here	13.55
34	If tax (line 31) is less than credits (line 32) Enter the OVERPAYMENT here	
35	Enter amount of line 34 you want: Credited on 1967 estimated tax Refunded	

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. If prepared by a person other than taxpayer, his declaration is based on all information of which he has any knowledge.

CORPORATE
SEAL

Date

Signature of officer

Title

1-78-67
Date

Individual or firm signature of preparer

Address

16-7040-1

EXPLANATION OF DEDUCTIONS

NAME OF TAXPAYER *HAROLD T. S. S. INC.*YEAR ENDED *12-31-66*

FILE NO.

FOR
SCHEDULE

FOLIO

FORM

1120

1. COLUMN OR ITEM NO.	2. EXPLANATION	3. AMOUNT
<i>ITEM 3</i>	<i>QUESTION 1 -</i>	
	<i>(1) (a) CARDINAL MAINTENANCE INC 11-2012167</i>	
	<i>63 JEROME AVE. HENRIETTA NY</i>	
	<i>(b) OWNERSHIP - 100%</i>	
	<i>(c) 1966 TAXABLE INCOME *608.88</i>	
	<i>2 (a) R. HENRIETTA HAROLD 077-67-2700</i>	
	<i>89 JEROME AVE HENRIETTA NY</i>	
	<i>OWNERSHIP - 89%</i>	
<i>SCH. L</i>		
<i>PAGE 11</i>		
<i>ITEM 5</i>	<i>OTHER CURRENT ASSETS -</i>	
	<i>OPERATING SUPPLIES</i>	<i>29,853.87</i>
	<i>UNFILLED CONTRACT COSTS</i>	<i>8,719.14</i>
	<i>UNEXPENSED INSURANCE</i>	<i>10,332.00</i>
		<i>48,905.01</i>
<i>ITEM 6</i>	<i>OTHER INVESTMENTS -</i>	
	<i>COST OF INVESTMENT IN CAPITAL STOCK</i>	
	<i>OF CARDINAL MAINTENANCE INC.</i>	<i>2,843.16</i>
<i>ITEM 17</i>	<i>OTHER CURRENT LIABILITIES -</i>	
	<i>ACCUMULATED WC, PL, & PU INSURANCE</i>	<i>14,895.82</i>
	<i>" SALARIES & COMMISSIONS</i>	<i>2,585.15</i>
	<i>" PAYROLL TAXES</i>	<i>1,267.87</i>
	<i>" NY & NJ FRANCHISE TAXES</i>	<i>94.15</i>
	<i>" FEDERAL INCOME TAX</i>	<i>13.55</i>
	<i>WITHHELD TAXES</i>	<i>1,071.39</i>
		<i>9,935.63</i>

Schedule L—BALANCE SHEETS

ASSETS	Beginning of taxable year		End of taxable year	
	(A) Amount	(B) Total	(C) Amount	(D) Total
1 Cash		24,891.49		3786.95
2 Trade notes and accounts receivable	14,843.84		25,694.77	
(a) Less allowance for bad debts		60,843.82		85,444.77
3 Inventories		78,831.30		73,824.92
4 Gov't obligations: (a) U.S. and instrumentalities				
(b) State, subdivisions thereof, etc.				
5 Other current assets (attach schedule)		71,126.77		48,875.04
6 Loans to stockholders				
7 Mortgage and real estate loans				
8 Other investments (attach schedule)		7843.16		7843.16
9 Buildings and other fixed depreciable assets				
(a) Less accumulated depreciation				
10 Depletable assets				
(a) Less accumulated depletion				
11 Land (net of any amortization)				
12 Intangible assets (amortizable only)				
(a) Less accumulated amortization				
13 Other assets (attach schedule)				
14 Total assets		115,546.56		164,534.74
LIABILITIES AND CAPITAL				
15 Accounts payable		83,831.91		110,959.84
16 M'g'es., notes, bonds payable in less than 1 yr.				
17 Other current liabilities (attach schedule)		12,097.70		9934.63
18 Loans from stockholders		6000.00		3049.60
19 M'g'es., notes, bonds payable in 1 yr. or more				
20 Other liabilities (attach schedule)				
21 Capital stock: (a) Preferred stock				
(b) Common stock	11,000.00	11,000.00	11,000.00	11,000.00
22 Paid-in or capital surplus (attach reconciliation)				
23 Retained earnings—Appropriated (attach sch.)				
24 Retained earnings—Unappropriated		30,646.95		79,559.67
25 Less cost of treasury stock		()		()
26 Total liabilities and capital		115,546.56		164,534.74

Schedule M-1—RECONCILIATION OF INCOME PER BOOKS WITH INCOME PER RETURN

1 Net income per books	14.74	7 Income recorded on books this year not included in this return (itemize)	
2 Federal income tax	13.55	(a) Nontaxable interest \$	
3 Excess of capital losses over capital gains			
4 Taxable income not recorded on books this year (itemize)			
5 Expenses recorded on books this year not deducted in this return (itemize)		8 Deductions in this tax return not charged against book income this year (itemize)	
(a) Depreciation . . . \$		(a) Depreciation . . . \$	
(b) Depletion . . . \$		(b) Depletion . . . \$	
6 Total of lines 1 through 5	72.77	9 Total of lines 7 and 8	
		10 Income (line 28, page 1)—line 6 less 9	72.77

Schedule M-2—ANALYSIS OF UNAPPROPRIATED RETAINED EARNINGS PER BOOKS (line 24, page 4)

1 Balance at beginning of year	30,646.95	5 Distributions: (a) Cash	
2 Net income per books	14.74	(b) Stock	
3 Other increases (itemize)		(c) Property	
		6 Other decreases (itemize)	
		OFFICER'S LIFE	
		INSURANCE PREMIUMS	1077.00
4 Total of lines 1, 2, and 3	30,661.67	7 Total of lines 5 and 6	1077.00
		8 Balance at end of year (line 4 less 7)	79,559.67

77-Ex. 21-4.

FORM **1120**
U.S. Treasury Department
Internal Revenue Service

U.S. Corporation Income Tax Return
For calendar year 1967 or other taxable year beginning
1967, ending 19
(PLEASE TYPE OR PRINT)

1967

Check if a—
A Sole proprietorship ☐ or
partnership ☐ electing under
section 1361 to be taxed as a
corporation.
B Consolidated return. ☐
C Personal Holding Co. ☐
D Business Code No. (see instr.)

Name
Hanover Trust Savings Inc.
Number and street
65 Lexington Ave.
City or town, State, and ZIP code
Hamden, Conn. 06430

E Employer Identification No.
00-1183015
F County in which located.
Hamden
G Enter total assets from line
14, column (D), Schedule L
(See instruction R)
\$ 138,268.13

IMPORTANT—All applicable lines and schedules must be filled in. If the lines on the schedules are not sufficient, see instruction N.

GROSS INCOME

- 1 Gross receipts or gross sales Less: Returns and allowances
- 2 Less: Cost of goods sold (Schedule A) and/or operations (attach schedule)
- 3 Gross profit
- 4 Dividends (Schedule C)
- 5 Interest on obligations of the United States and U.S. instrumentalities
- 6 Other interest
- 7 Gross rents
- 8 Gross royalties
- 9 Net gains (losses)—(separate Schedule D)
- 10 Other income (attach schedule)
- 11 **TOTAL income**—Add lines 3 through 10

222,963.11
77,131.77
167,536.34

167,536.34

DEDUCTIONS

- 12 Compensation of officers (Schedule E)
- 13 Salaries and wages (not deducted elsewhere)
- 14 Repairs (do not include capital expenditures)
- 15 Bad debts (Schedule F if reserve method is used)
- 16 Rents
- 17 Taxes (attach schedule)
- 18 Interest
- 19 Contributions (attach schedule—see instructions for limitation)
- 20 Casualty or theft losses (attach schedule)
- 21 Amortization (attach schedule)
- 22 Depreciation (Schedule G)
- 23 Depletion (attach schedule)
- 24 Advertising
- 25 (a) Pension, profit sharing, stock bonus, annuity plans (attach Form 2950)
(b) Other employee benefit plans (see instructions)
- 26 Other deductions (attach schedule)
- 27 **TOTAL deductions** on lines 12 through 26
- 28 Taxable income before net operating loss deduction and special deductions (line 11 less line 27)
- 29 Less: (a) Net operating loss deduction (see instructions—attach schedule)
(b) Special deductions (Schedule I)
- 30 **Taxable income** (line 28 less line 29)

14,170.00
51,900.00
2,681.07

9,119.04

7,746.43

164,536.34
271,506.47
(106,670.13)

(106,670.13)

TAX

- 31 **TOTAL income tax** (Schedule J)
- 32 Credits: (a) Tax deposited—Form 7004 application for extension (attach copy)
(b) 1967 estimated tax payments (include 1966 overpayment allowed as a credit)
(c) Credit from regulated investment companies (attach Form 2439)
(d) Credit for U.S. tax on nonhighway gas and lube oil (attach Form 4136)
- 33 If tax (line 31) is larger than credits (line 32), the balance is TAX DUE. See instr. G for Tax Deposit System
- 34 If tax (line 31) is less than credits (line 32) Enter the OVERPAYMENT here
- 35 Enter amount of line 34 you want: Credited to 1968 estimated tax Refunded

NO TAX

NO TAX

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. If prepared by a person other than taxpayer, his declaration is based on all information of which he has any knowledge.

CORPORATE SEAL ☒ **Signature of officer** _____ **Title** _____
Date _____
Individual or firm signature of preparer _____
Date _____
Address _____

EXPLANATION OF DEDUCTIONS

NAME OF TAXPAYER

Harper Tree Service Inc.

YEAR ENDED 12-31-67

FILE NO.

FOR
SCHEDULE

FOLIO

FORM

1125

1. COLUMN OR ITEM NO.	2. EXPLANATION	3. AMOUNT
PAGE 1		
ITEM 2	COST OF OPERATIONS -	
	SALARIES + WAGES	108,745.74
	MATERIALS + SUPPLIES	22,080.70
	INSURANCE	12,406.48
	PLANS + SPEC	97.00
	GAS + OIL	230.52
	HOSPITAL INSURANCE	211.93
	SUBCONTRACTORS' CHARGES	7,955.03
	UNIFORMS	3,899.87
	DAMAGE CLAIMS	1,090.91
	HELP WANTED ADS	643.62
	TOLLS	288.06
	DUMPING	4,807.00
	UNION DUES	36.00
	EQUIPMENT RENTALS	1,282.28
	PERMITS	461.21
	FREIGHT + CARTAGE	1,985.07
		168,433.45
	ADDITIONAL COST OF MERCHANDISE RESOLD	58,697.82
		227,131.77
ITEM 7	TAXES -	
	PAYROLL TAXES	9,024.04
	NYS FRANCHISE TAX	25.00
	NJ BUSINESS TAX	50.00
		9,100.04
ITEM 16	OTHER DEDUCTIONS -	
	COMMISSIONS	6,134.79
	INSURANCE	2,370.84
	ADMINISTRATIVE SERVICES	5,354.81
	TELEPHONE	1,078.18
	DUES + SUBSCRIPTIONS	702.00
	TRAVEL + ENTERTAINMENT	1,085.14
	SALES PROMOTION	3,057.12
	RESEARCH + STUDY	1,282.26
	POSTAGE	420.84
	PROFESSIONAL SERVICES	4,012.12
	OFFICE SUPPLIES AND EXPENSE	2,508.64
	LOSS ON INVESTMENT IN AND ROYALTIES TO	
	CHARDON MAINTENANCE INC - A WHOLLY-	
	OWNED SUBSIDIARY - DISSOLVED IN 1967	110,563.30
		185,586.04

EXPLANATION OF DEDUCTIONS

NAME OF TAXPAYER Havena Loan Services Inc.

YEAR ENDED 12-31-67

FILE NO.

FOR
SCHEDULE

FOLIO

FORM

11242

1. COLUMN OR ITEM NO.	2. EXPLANATION	3. AMOUNT
SEN L		
ITEM E	OTHER CURRENT ASSETS -	
	UNPAID CONTRACT COSTS	17095.06
	CASHING SUPPLIES	29305.54
	UNPAID INSURANCE	15132.11
	BID DEPOSITS	875.00
	TAX RETURN CERT. RECEIPTS	1203.70
		<u>33011.70</u>
ITEM F	OTHER BUSINESS LIABILITIES -	
	RECEIVED SALARIES + COMMISSIONS	2216.37
	" WC, PL, & PD INSURANCE	11416.55
	NYC Sales Tax	200.99
	RECEIVED + W. TOLSON DIRECT TAXES	23511.08
	" NYS FRANCHISE TAX	25.00
	" MD BUSINESS TAX	50.00
		<u>16762.99</u>
Item A-2	(a) E. Kenneth Harrison Harrison NY 077-01-2700	
	(b) 100%	

Schedule A—COST OF GOODS SOLD (See instruction 2)

1 Inventory at beginning of year	
2 Merchandise bought for manufacture or sale	
3 Salaries and wages	
4 Other costs (attach schedule)	
5 Total	
6 Less inventory at end of year	
7 Cost of goods sold—Enter on line 2, page 1	

Method of inventory valuation

Schedule C--DIVIDENDS (See instruction 4)

1	Domestic corporations subject to 35% deduction	
2	Certain preferred stock of public utilities	
3	Foreign corporations subject to 85% deduction	
4	Dividends from wholly owned foreign subsidiaries subject to 100% deduction (section 245(b))	
5	Other dividends from foreign corporations	
6	Income from controlled foreign corporations (at- tach Form 3645)	
7	Foreign dividend gross-up (section 78)	
8	Qualifying dividends from affiliated groups (section 243(b))	
9	Other	
10	Total—Enter here and on line 4, page 1	

Schedule E—COMPENSATION OF OFFICERS (See instruction 12)

[illegible]

Total compensation of officers—Enter here and on line 12, page 1

Schedule F—BAD DEBTS—RESERVE METHOD (See instruction 15)

1. Year	2. Trade notes and accounts receivable outstanding at end of year	3. Sales on account	Amount added to reserve		6. Amount charged against reserve	7. Reserve for bad debts at end of year
			4. Current year's provision	5. Recoveries		
1962						
1963						
1964						
1965						
1966						
1967						

Schedule G—DEPRECIATION (See instructions for Schedule G)

Taxpayers using Revenue Procedures 62-21 and 65-13: Make no entry in column 2, enter the cost or other basis of assets held at end of year in column 3, and enter the accumulated depreciation at end of year in column 4.

[illegible]

Schedule H—SUMMARY OF DEPRECIATION

	Straight line	Declining balance	Sum of the years'-digits	Units of production	Additional first year (section 179)	Other (specify)	Total
1 Under Rev. Procs. 62-21 and 65-13							
2 Other . . .							

Schedule I—SPECIAL DEDUCTIONS

- 1 (a) 85 percent of line 1, Schedule C
 (b) 60.208 percent of line 2, Schedule C
 (c) 85 percent of line 3, Schedule C
 (d) 100 percent of line 4, Schedule C
 2 Total—Not to exceed 85 percent of (line 28, page 1, less the sum of lines 3 and 5 of this schedule). The 85-percent limitation does not apply to a year in which a net operating loss occurs
 3 100 percent of line 8, Schedule C
 4 Dividends paid on certain preferred stock of public utilities (see instructions in case of net operating loss)
 5 Western Hemisphere trade corporations (not allowable in year of net operating loss)
 6 Total special deductions—Add lines 2 through 5. Enter here and on line 24(a), page 1

Schedule J—TAX COMPUTATION

- 1 Taxable income (line 30, page 1) (108,100.00)
 2 Surtax exemption (line 1, \$25,000, or amount apportioned under section 1561, whichever is lesser)
 3 Line 1 less line 2
 4 (a) 22 percent of line 1
 (b) 25 percent of line 3
 (c) If multiple surtax exemption is elected under section 1562, enter 6 percent of line 2
 5 Income tax (line 4, or line 26 of separate Schedule D, whichever is lesser)
 6 Foreign tax credit (attach Form 1118)
 7 Line 5 less line 6
 8 Investment credit (attach Form 3468)
 9 Line 7 less line 8
 10 Personal holding company tax (attach Schedule 1120 PH)
 11 Tax from recomputing prior year investment credit (attach computation)
 12 Total tax—Add lines 9, 10, and 11. Enter here and on line 31, page 1

H Date incorporated 1957

- I (1) Did the corporation at the end of the taxable year own directly or indirectly 50 percent or more of the voting stock of a domestic corporation? Yes ☐ No ☒

- (2) Did any corporation, individual, partnership, trust, or association at the end of the taxable year own directly or indirectly 50 percent or more of the corporation's voting stock? Yes ☒ No ☐
 (For rules of attribution, see section 267(c).)

If the answer to (1) or (2) is "Yes," attach a schedule showing:

- (a) name, address, and identifying number; and
 (b) percentage owned.

If the answer to (1) above is "Yes," include the taxable income (or loss) from line 30, page 1, Form 1120 of such corporation for the taxable year ending with or within your taxable year.

- J Did you have any contracts or subcontracts subject to the Renegotiation Act of 1951? Yes ☐ No ☒
 If "Yes," enter the aggregate gross dollar amount billed during the year

K Amount of taxable income (or loss) from line 30, page 1, Form 1120 for 1954 110,000 1955 140,000 1956 160,000

- L Did you claim a deduction for expenses connected with:
 (1) A hunting lodge ☐ working ranch or farm ☐ fishing camp ☐ resort property ☐ pleasure boat or yacht ☐ or other similar facility ☐ (Other than where the operation of the facility was the principal business) Yes ☐ No ☒

- (2) The leasing, renting, or ownership of a hotel room or suite ☐ apartment ☐ or other dwelling ☐ which was used by customers or employees or members of their families? (Other than use by employees while in business travel status) Yes ☐ No ☒

- (3) The attendance of your employees' families at conventions or business meetings? Yes ☐ No ☒

- (4) Vacations for employees or members of their families?

(Other than amount reported on Form W-2.) Yes ☐ No ☒

M Refer to page 7 of instructions and state the:

Principal business activity Manufacturing

Principal product or service Steel

- N Were you a member of a controlled group subject to the provisions of section 1561 Yes ☐ No ☒ or section 1562?

Yes ☒ No ☐

If "Yes," check type of relationship:

(1) parent-subsidiary ☐

(2) brother-sister ☒

(3) combination of (1) and (2) ☐ (See section 1563)

- O Were you liable for filing Forms 1096 and 1099 or 1087 for the calendar year 1967? Yes ☐ No ☒

If "Yes," where were they filed?

- P Was there any substantial change in the manner of determining quantities, costs, or valuations between opening and closing inventory? Yes ☐ No ☒

If "Yes," attach explanation.

- Q Did you pay dividends during the taxable year which you considered to be partially or wholly nontaxable to shareholders? Yes ☐ No ☒
 (See sections 301 and 316.) If this is a consolidated return, answer here for parent corporation and on Form 851, "Affiliations Schedule," for each subsidiary.

- R Were you a U.S. shareholder of any controlled foreign corporation? Yes ☐ No ☒ (See sections 951 and 957.) If "Yes," attach Form 3466 for each such corporation.

Schedule 1—BALANCE SHEETS

Page 4

ASSETS	Beginning of taxable year		End of taxable year	
	(A) Amount	(B) Total	(C) Amount	(D) Total
1 Cash	2,570.27	2,570.27	2,570.27	2,570.27
2 Trade notes and accounts receivable			119,671.73	119,671.73
(a) Less allowance for bad debts				
3 Inventories	23,866.10	23,866.10	23,866.10	23,866.10
4 Gov't obligations, (a) U.S. and instrumentalities				
(b) State, subdivisions thereof, etc.				
5 Other current assets (attach schedule)		113,025.04		113,025.04
6 Loans to stockholders				
7 Mortgage and real estate loans				
8 Other investments (attach schedule)		2,515.16		2,515.16
9 Buildings and other fixed depreciable assets				
(a) Less accumulated depreciation				
10 Depletable assets				
(a) Less accumulated depletion				
11 Land (net of any amortization)				
12 Intangible assets (amortizable only)				
(a) Less accumulated amortization				
13 Other assets (attach schedule)				
14 Total assets		125,965.12		125,965.12
LIABILITIES AND CAPITAL				
15 Accounts payable		119,307.30		119,307.30
16 Mtes., notes, bonds payable in less than 1 yr.				
17 Other current liabilities (attach schedule)		16,717.19		16,717.19
18 Loans from stockholders		574.40		574.40
19 Mtes., notes, bonds payable 1 yr. or more				
20 Other liabilities (attach schedule)				
21 Capital stock: (a) Preferred stock				
(b) Common stock	11,000.00	11,000.00	11,000.00	11,000.00
22 Paid in or capital surplus (attach reconciliation)				
23 Retained earnings—Appropriated (attach sch.)				
24 Retained earnings—Unappropriated		71,176.22		71,176.22
25 Less cost of treasury stock				
26 Total liabilities and capital		125,965.12		125,965.12

Schedule M-1—RECONCILIATION OF INCOME PER BOOKS WITH INCOME PER RETURN

1 Net income per books	125,965.12	7 Income recorded on books this year not included in this return (itemize):	
2 Federal income tax		(a) Tax exempt interest	
3 Excess of capital losses over capital gains			
4 Taxable income not recorded on books this year (itemize)		8 Deductions in this tax return not charged against book income this year (itemize):	
5 Expenses recorded on books this year not deducted in this return (itemize):		(a) Depreciation	
(a) Depreciation		(b) Depletion	
(b) Depletion			
6 Total of lines 1 through 5	125,965.12	9 Total of lines 7 and 8	
		10 Income (line 23, page 1) less line 9	71,176.22

Schedule M-2—ANALYSIS OF UNAPPROPRIATED RETAINED EARNINGS PER BOOKS (line 24, page 4)

1 Balance at beginning of year	11,000.00	5 Distributions: (a) Cash	
2 Net income per books	125,965.12	(b) Stock	
3 Other increases (itemize):		(c) Property	
(a)		6 Other decreases (itemize):	
(b)			
4 Total of lines 1, 2, and 3	136,965.12	7 Total of lines 5 and 6	
		8 Balance at end of year (line 4 less 7)	11,000.00

FINAL RETURN 1964

JT. 423-W

FORM 1120

U.S. CORPORATION INCOME TAX RETURN—1964

U.S. Treasury Department
Internal Revenue Service

or other taxable year beginning JAN 1 1964 and ending JULY 31 1964
(PLEASE TYPE OR PRINT)

- Check if this is a—
 A. Sole proprietorship ☐ or partnership ☐ electing under sec. 1361 to be taxed as a corporation.
 B. Consolidated return. ☐
 C. Personal Holding Co. ☐
 D. Business Code No. (see instructions)
 8098

Name
 CARDINAL MAINTENANCE CORP.
 Number and street
 63 JERUSALEM AVENUE
 City or town and State
 HEMPSTEAD, NEW YORK

E. Employer Identification No.
 11-2012167
 F. County in which located.
 NASSAU
 G. Enter total assets from line 13 Sch. L (see instruction R).
 -

IMPORTANT—All applicable lines and schedules must be filled in. If the lines on the schedules are not sufficient, see instruction Q.

GROSS INCOME	1. Gross receipts or gross sales..... Less: Returns and allowances.....	60,004.38
	2. Less: Cost of goods sold (Schedule A) and/or operations (attach schedule).....	60,004.38
	3. Gross profit.....	
	4. Dividends (Schedule C).....	
	5. Interest on obligations of the United States and U.S. instrumentalities.....	
	6. Other interest.....	
	7. Rents.....	
	8. Royalties.....	
	9. Net gains (losses) (from separate Schedule D).....	(22.63)
	10. Other income (attach schedule).....	59,981.75
	11. TOTAL income, lines 3 to 10, inclusive.....	59,981.75
DEDUCTIONS	12. Compensation of officers (Schedule E).....	4,973.30
	13. Salaries and wages (not deducted elsewhere).....	32,681.12
	14. Repairs (do not include cost of improvements or capital expenditures).....	86.12
	15. Bad debts (from Schedule F if reserve method is used).....	
	16. Rents.....	475.00
	17. Taxes (attach schedule).....	4,056.80
	18. Interest.....	
	19. Contributions or gifts paid (attach schedule—see instructions for limitation).....	40.00
	20. Losses by fire, storm, shipwreck, or other casualty, or theft (attach schedule).....	
	21. Amortization (attach schedule).....	
	22. Depreciation (Schedule G).....	433.75
	23. Depletion (attach schedule).....	
	24. Advertising.....	335.75
	25. (a) Pension, profit-sharing, stock bonus, annuity plans (see instructions)..... (b) Other employee benefit plans (see instructions).....	
	26. Other deductions (attach schedule).....	17,341.17
27. TOTAL deductions in lines 12 to 26, inclusive.....	58,444.19	
28. Taxable income before net operating loss deduction and special deductions (line 11 less line 27).....	4,537.56	
29. Less: (a) Net operating loss deduction (see instructions—attach schedule)..... (b) Special deductions (Schedule D).....	(2455.06)	
30. Taxable income (line 28 less line 29).....	1,082.50	
TAX	31. TOTAL income tax (from line 10, Tax Computation Schedule, page 3).....	211.97
	32. Credits: (a) Tax paid with Form 7004 application for extension (attach copy)..... (b) Payments and credits on 1963 Declaration of Estimated Tax..... (c) Credit from regulated investment companies (attach Form 2439).....	- - -
	33. If tax (line 31) is larger than credits (line 32), the balance is TAX DUE. Enter balance here.....	211.97
	34. If tax (line 31) is less than credits (line 32)..... Enter the OVERPAYMENT here.....	
	35. Enter amount of line 34 you want: Credited on 1964 estimated tax..... Refunded.....	

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. If prepared by a person other than taxpayer, his declaration is based on all information of which he has any knowledge.

CORPORATE SEAL	Date _____ Signature of officer _____ Title _____	Date _____ Individual or firm signature of preparer _____ Address _____
----------------	---	---

EXPLANATION OF DEDUCTIONS

NAME OF TAXPAYER

CARDINAL MAINTENANCE CORP.

FILE NO.

FOLIO

FORM

Period 1/1/64-7/31/64

1170

FOR
SCHEDULE

1. COLUMN OR ITEM NO.	2. EXPLANATION	3. AMOUNT
PAGE 1	LINE 26 - OTHER DEDUCTIONS:	
	ACCOUNTING AND LEGAL	417 95
	AUTO AND TRUCK EXPENSE	905 87
	CLEANING SUPPLIES	5670 70
	OUTSIDE LABOR	1747 06
	MISCELLANEOUS EXPENSE	236 77
	RENTAL OF AUTO	540 00
	SELLING EXPENSE	418 80
	TELEPHONE	621 36
	ORGANIZATION EXPENSE	90 00
	INSURANCE	1209 75
	OFFICE EXPENSE	440 91
		12341 17
PAGE 1	LINE 19 - CONTRIBUTIONS:	
	ASSOCIATION FOR RETARDED CHILDREN	1500
	YMCA	2500
		11000
PAGE 1	LINE 17 - TAXES:	
	N.Y. FRANCHISE TAX	9071
	N.Y. & FEDERAL UNEMPLOYMENT INS.	1831 25
	N.Y. DISABILITY INSURANCE	18831
	SOCIAL SECURITY EXPENSE	1946 53
		4056 80
PAGE 1	LINE 29 - NET OPERATING LOSS DEDUCTION:	
	PERIOD ENDED 12/31/63	(245506)
PAGE 3	ITEM I - V	
	a) HARDER TREE SERVICE INC.	
	63 JERUSALEM AVE. HAUPSTADT, NY	
	b) 100%	
	c) 7/31/64	
	d) BROOKLYN N.Y.	

Schedule H. SUMMARY OF DEPRECIATION AND AMORTIZATION SCHEDULES

DEPRECIATION	Under Reg. Proc. 62-21	Other	AMORTIZATION
1. Straight line method.....		433.72	1. Emergency facilities.....
2. Declining balance method.....			2. Research or experimental.....
3. Sum of the years-digits method.....			3. Exploration and development.....
4. Based on units of production.....			4. Organizational.....
5. Add. 1st year (Sec. 179).....			5. Trademark and trade name.....
6. Other (specify).....			6. Other (specify).....
7. Total depreciation claimed.....		433.72	7. Total amortization claimed.....

Schedule I. SPECIAL DEDUCTIONS

1. Dividends received: (a) 85 percent of column 2, Schedule C.....	
(b) 62.115 percent of column 3, Schedule C.....	
(c) 85 percent of dividends received from certain foreign corporations.....	
2. Total dividends received deductions (sum of lines 1(a), (b), and (c) but not to exceed 85 percent of the excess of line 28, page 1 over line 4 of this schedule). (The 85 percent limitation does not apply to a year in which a net operating loss occurs or if the corporation is a small business investment company.).....	
3. Dividends paid on certain preferred stock of public utilities (see instructions in case of net operating loss).....	
4. Western Hemisphere trade corporations (not allowable in year of net operating loss).....	
5. Total special deductions (enter here and on line 29(b), page 1).....	

TAX COMPUTATION SCHEDULE

1. Taxable income (line 30, page 1).....	1104.00
2. If amount of line 1 is: <u>22%</u>	
(a) Not over \$25,000—Enter 22 percent of line 1 (32 percent if a consolidated return).....	242.88
(b) Over \$25,000—Enter 32 percent of line 1 (54 percent if a consolidated return).....	
Subtract \$5,500, and enter difference.....	5,500.00
3. Income tax (line 2, or line 22 of separate Schedule D, whichever is lesser).....	
4. Foreign tax credit (attach Form 1118).....	242.88
5. Balance (line 3 less line 4).....	30.91
6. Investment credit (attach Form 3463).....	211.97
7. Balance of income tax (line 5 less line 6).....	
8. Tax under section 541 of the Internal Revenue Code (from Schedule 1120 PH).....	
9. Tax from recomputing prior year investment credit (attach statement).....	
10. Total tax (sum of lines 7, 8 and 9). Enter here and on line 31, page 1.....	211.97

K. Date incorporated 4/15/63I. (1) Did the corporation at the end of the taxable year own directly or indirectly 50 percent or more of the voting stock of a domestic corporation? Yes ☐ No ☒(2) Did any corporation, individual, partnership, trust, or association at the end of the taxable year own directly or indirectly 50 percent or more of the corporation's voting stock? Yes ☒ No ☐

(For rules of attribution, see section 267 (c).)

If the answer to (1) or (2) is "Yes," attach separate schedule showing:

- (a) name, address, and employer identification no.;
 (b) percentage owned;
 (c) date acquired; and
 (d) the District Director's office in which the income tax return of such organization for the last taxable year was filed.

If the answer to (1) above is "Yes," include the income (or loss) from line 30, page 1, Form 1120 of such corporation for the taxable year ending with or within your taxable year.

If the answer to (2) above is "Yes," include (a) the amount of cash or stock dividends paid to such individual or organization and (b) identify form of organization.

J. Were Forms 1096 and 1099 filed for the calendar year 1963 in connection with:

Taxable dividends..... Yes ☐ No ☒Other payments..... Yes ☐ No ☒K. Did you have any contracts or subcontracts subject to the Perpetuation Act of 1951..... Yes ☐ No ☒

If "Yes," see Inst. K. Enter amount here

E. Did you at any time during the year own directly or indirectly any stock of a foreign corporation? Yes ☐ No ☒
If "Yes," attach statement as required by Instruction N.

K2. Amount of income (or deficit) for: 1960.....

1961..... 1962.....

N. If a cooperative association, check type:

- (1) ☐ farmers' purchasing or marketing; (2) ☐ consumers', or (3) ☐ other.

G. Did you claim a deduction for expenses connected with: (If answer to any question is "Yes," check applicable boxes within that question.)

(1) A hunting lodge ☐, working ranch or farm ☐, fishing camp ☐, resort property ☐, pleasure boat or yacht ☐, or other similar facility ☐? (Other than where the operation of the facility was the principal business.) Yes ☐ No ☒

(2) The leasing, renting, or ownership of a hotel room or suite ☐, apartment ☐, or other dwelling ☐, which was used by customers or employees or members of their families? (Other than use by employees while in business travel status.) Yes ☐ No ☒

(3) The attendance of your employees' families at conventions or business meetings? Yes ☐ No ☒

(4) Vacations for employees or members of their families? (Other than vacation pay reported on Form W-2.) Yes ☐ No ☒

P. Refer to instructions and state the:

Principal business activity

Principal product or service

Schedule L—BALANCE SHEETS. (See Instructions)

ASSETS	Beginning of taxable year		End of taxable year	
	(A) Amount	(B) Total	(C) Amount	(D) Total
1. Cash.....		2,081.56		
2. Notes and accounts receivable.....				
(a) Less: Reserve for bad debts.....				
3. Inventories.....				
4. Investments in Government obligation.....				
5. Other current assets (attach schedule).....				
6. Loans to stockholders.....				
7. Other investments (attach schedule).....				
8. Buildings and other fixed depreciable assets.....	4838.18			
(a) Less: Accumulated amortization and depreciation.....	268.50	7569.68		
9. Depletable assets.....				
(a) Less: Accumulated depletion.....				
10. Land (net of any amortization).....				
11. Intangible assets (amortizable only).....	100.00			
(a) Less: Accumulated amortization.....	10.00	90.00		
12. Other assets (attach schedule).....				
13. Total assets.....		4741.24		
LIABILITIES AND CAPITAL				
14. Accounts payable.....				
15. Mortgages, notes, and bonds payable in less than 1 year.....		750.00		
16. Other current liabilities (attach schedule).....		688.66		
17. Loans from stockholders.....		800.00		
18. Mortgages, notes, and bonds payable in 1 year or more.....				
19. Other liabilities (attach schedule).....				
20. Capital stock: (a) Preferred stock.....				
(b) Common stock.....	6,006.64	6,006.64		
21. Paid-in or capital surplus (attach reconciliation).....				
22. Surplus reserve (attach schedule).....				
23. Earned surplus and undivided profits.....		(3,454.06)		
24. Total liabilities and capital.....		4,941.24		

ENTRIES MADE BELOW MUST BE IDENTIFIED BY ACCOUNT

Schedule M-1.—RECONCILIATION OF INCOME PER BOOKS WITH INCOME PER RETURN

1. Net income per books.....	4316.18	7. Income recorded on books this year not included in this return (itemize).....	
2. Federal income tax.....	447.88		
3. Excess of capital losses over capital gains.....			
4. Taxable income not recorded on books this year (itemize).....			
5. Expenses recorded on books this year not deducted in this return (itemize).....		8. Deductions in this tax return not charged against book income this year (itemize).....	
6. Total of lines 1 through 5.....	4559.06	9. Total of lines 7 and 8.....	
		10. Income (line 28, page 1)—line 6 less 9.....	4559.06

Schedule M-2.—ANALYSIS OF EARNED SURPLUS AND UNDIVIDED PROFITS PER BOOKS (line 23, page 4)

1. Balance at beginning of year.....	26607.63	5. Distributions: (a) Cash.....	
2. Net income per books.....	4316.18	(b) Stock.....	
3. Other increases (itemize).....		(c) Property.....	
		6. Other decreases (itemize).....	
		SURPLUS LIQUIDATED	
		THRU MERGERS	
4. Total of lines 1, 2, and 3.....	8671.11	7. Total of lines 5 and 6.....	8671.11
		8. Balance end of year (line 4 less 7).....	-0-

Final Return

JFK. 27-44

FORM 1120

U.S. Corporation Income Tax Return

For calendar year 1967 or other taxable year beginning

1967

U.S. Treasury Department
Internal Revenue Service1967, ending
(PLEASE TYPE OR PRINT)

Check if—

A Sole proprietorship, or
partner (but not electing under
section 1361 to be taxed as a
corporation).

B Consolidated return.

C Personal holding Co.

D Business Code No. (see instr.)

Name

CARDINAL MOUNTAIN CO. INC.

Number and street

13 JEROME AVE

City or town, State, and ZIP code

Hempstead N.Y. 11550

E Employer identification No.

11-20-2167

F County in which located.

11550

G Enter total assets from line
11, column (D), Schedule L
(See instruction K)

11550

IMPORTANT—All applicable lines and schedules must be filled in. If the lines on the schedules are not sufficient, see instruction N.

GROSS INCOME

1	Gross receipts or gross sales	Less: Returns and allowances	399,455.27
2	Less: Cost of goods sold (Schedule A) and/or operations (attach schedule)		352,712.78
3	Gross profit		46,692.71
4	Dividends (Schedule C)		
5	Interest on obligations of the United States and U.S. instrumentalities		
6	Other interest		
7	Gross rents		
8	Gross royalties		
9	Net gains (losses)—(separate Schedule D)		10,166.29
10	Other income (attach schedule)		
11	TOTAL income—Add lines 3 through 10		56,859.00

DEDUCTIONS

12	Compensation of officers (Schedule E)	1516.10
13	Salaries and wages (not deducted elsewhere)	2,975.38
14	Repairs (do not include capital expenditures)	
15	Bad debts (Schedule F if reserve method is used)	
16	Rents	
17	Taxes (attach schedule)	21,845.11
18	Interest	
19	Contributions (attach schedule—see instructions for limitation)	
20	Casualty or theft losses (attach schedule)	
21	Amortization (attach schedule)	2,131.09
22	Depreciation (Schedule G)	464.26
23	Depletion (attach schedule)	
24	Advertising	2,505.12
25	(a) Pension, profit sharing, stock bonus, annuity plans (attach Form 2950)	
	(b) Other employee benefit plans (see instructions)	
26	Other deductions (attach schedule)	31,229.79
27	TOTAL deductions on lines 12 through 26	65,175.05
28	Taxable income before net operating loss deduction and special deductions (line 11 less line 27)	(8,322.05)
29	Less: (a) Net operating loss deduction (see instructions—attach schedule)	
	(b) Special deductions (Schedule I)	
30	Taxable income (line 28 less line 29)	(8,322.05)

TAX

31	TOTAL income tax (Schedule J)	NO TAX
32	Credits: (a) Tax deposited—Form 7004 application for extension (attach copy)	
	(b) 1967 estimated tax payments (Include 1966 overpayment allowed as a credit)	
	(c) Credit from regulated investment companies (attach Form 2439)	
	(d) Credit for U.S. tax on nonhighway gas and lube oil (attach Form 4136)	
33	If tax (line 31) is larger than credits (line 32), the balance is TAX DUE. See instr. G for Tax Deposit System	NO TAX
34	If tax (line 31) is less than credits (line 32) Enter the OVERPAYMENT here	
35	Enter amount of line 34 you want Credited to 1968 estimated tax	Refunded

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. If prepared by a person other than taxpayer, his declaration is based on all information of which he has any knowledge.

CORPORATE
SEAL

Date

X

Signature of officer

Title

1-13-68

Date

Individual or firm signature of preparer

Address

e50-114-179-12-1

Schedule A—COST OF GOODS SOLD (See instruction 2)

1 Inventory at beginning of year
 2 Merchandise bought for manufacture or sale
 3 Salaries and wages
 4 Other costs (attach schedule)
 5 Total
 6 Less inventory at end of year
 7 Cost of goods sold—Enter on line 2, page 1

Method of inventory valuation

Schedule C—DIVIDENDS (See instruction 4)

1 Domestic corporations subject to 85% deduction
 2 Certain preferred stock of public utilities
 3 Foreign corporations subject to 85% deduction
 4 Dividends from wholly owned foreign subsidiaries subject to 100% deduction (section 245(b))
 5 Other dividends from foreign corporations
 6 Income from controlled foreign corporations (attach Form 3615)
 7 Foreign dividend gross-up (section 78)
 8 Qualifying dividends from affiliated groups (section 243(b))
 9 Other
 10 Total—Enter here and on line 4, page 1

Schedule E—COMPENSATION OF OFFICERS (See instruction 12)

1. Name, address, and social security number of officer	2. Title	3. Time devoted to business	Percent of corporation stock owned 4. Common, 5. Preferred	6. Amount of compensation	7. Expense account allowances
Philip A. Morris Corporation	Pres.	Full	-	15,410	
Total compensation of officers—Enter here and on line 12, page 1 15,410					

Schedule F—BAD DEBTS—RESERVE METHOD (See instruction 15)

1. Year	2. Trade notes and accounts receivable outstanding at end of year	3. Sales on account	Amount added to reserve		6. Amount charged against reserve	7. Reserve for bad debts at end of year
			4. Current year's provision	5. Recoveries		
1962						
1963						
1964						
1965						
1966						
1967						

Schedule G—DEPRECIATION (See instructions for Schedule G)

Taxpayers using Revenue Procedures 62-21 and 55-13: Make no entry in column 2, enter the cost or other basis of assets held at end of year in column 3, and enter the accumulated depreciation at end of year in column 4.

1. Group and guideline class or description of property	2. Date acquired	3. Cost or other basis	4. Depreciation allowed or allowable in prior years	5. Method of computing depreciation	6. Life or rate	7. Depreciation for this year
1 Total additional first-year depreciation (do not include in items below)						
Buildings						
Furniture and fixtures						
Transportation equipment						
Machinery and other equipment	1962	243,375	115,875	SL	24%	116,400
Other (specify)						
2 Totals						116,400
3 Less amount of depreciation claimed in Schedule A and elsewhere on return						
4 Balance—Enter here and on line 22, page 1						116,400

Schedule H—SUMMARY OF DEPRECIATION

	Straightline	Declining balance	Sum of the years' digits	Units of production	Additional first year (section 179)	Other (specify)	Total
1 Under Rev. Procs. 62-21 and 65-13							
2 Other	116,400						116,400

NAME OF TAXPAYER *CARDINAL MAINTENANCE INC*YEAR ENDED *12-31-67*

FILE NO.

FOR
SCHEDULE

FOLIO

FORM

114

1. COLUMN OR ITEM NO.	2. EXPLANATION	3. AMOUNT
<i>PAGE 1</i>	<i>COST OF OPERATIONS -</i>	
<i>ITEM 1</i>	<i>MATERIALS & SUPPLIES</i>	<i>38,890.26</i>
	<i>SALES & WAGES</i>	<i>772,381.35</i>
	<i>WORKMAN'S COMP. INSURANCE</i>	<i>5,333.45</i>
	<i>PL & PD INSURANCE</i>	<i>5,395.96</i>
	<i>MAINTENANCE OF EQUIPMENT</i>	<i>3,997.93</i>
	<i>HOSPITAL INSURANCE</i>	<i>1,075.00</i>
	<i>SUBCONTRACTORS' CHARGES</i>	<i>12,898.73</i>
	<i>DAMAGE CLAIMS</i>	<i>377.71</i>
	<i>UNIFORMS</i>	<i>382.63</i>
	<i>HELP WANTED ADVERTISING</i>	<i>1,356.53</i>
	<i>TOLLS</i>	<i>20.51</i>
	<i>DUMPING</i>	<i>1,381.00</i>
	<i>UNION ASSESSMENTS</i>	<i>776.75</i>
	<i>EMPLOYEE WELFARE</i>	<i>14.25</i>
		<i>352,712.79</i>
<i>ITEM 17</i>	<i>Taxes</i>	
	<i>Payroll Taxes - Operations</i>	<i>21,128.06</i>
	<i>- Administration</i>	<i>392.05</i>
	<i>NYS Franchise Tax</i>	<i>2,000.00</i>
		<i>21,520.11</i>
<i>ITEM 21</i>	<i>Amortization -</i>	
	<i>Balance Written Off on Dissolution -</i>	
	<i>Cost of Non-Competition Contract</i>	<i>1,910.46</i>
	<i>Organization Expenses</i>	<i>220.63</i>
		<i>2,131.09</i>
<i>ITEM 22</i>	<i>Other Deductions -</i>	
	<i>Administrative & Financial Services</i>	<i>23,550.00</i>
	<i>Commissions</i>	<i>5,207.13</i>
	<i>Telephone</i>	<i>2,235.92</i>
	<i>Dues & Subscriptions</i>	<i>115.00</i>
	<i>Travel</i>	<i>327.64</i>
	<i>Sales Promotion</i>	<i>118.59</i>
	<i>Professional Services</i>	<i>2,044.06</i>
	<i>Office Supplies, Etc</i>	<i>428.15</i>
		<i>34,049.79</i>
<i>PAGE 3-1</i>	<i>2(2) HARDER TREE SERVICE INC.</i>	
	<i>63 JACOBUS LANE</i>	
	<i>HEMPSTEAD N.Y.</i>	
	<i>11-1343045</i>	
	<i>(4) 100%</i>	

Gains and Losses From Sales or Exchanges of Property

1967

Name CAPITAL MANAGEMENT, INC. Employer Identification No. 11-1617167

PART I—GAIN FROM DISPOSITION OF DEPRECIABLE PROPERTY UNDER SECTIONS 1245 AND 1250—Assets Held More Than 5 Months—Where double headings appear, use the first heading for section 1245 and the second heading for section 1250.

a. Kind of property (if necessary, attach statement of descriptive details not shown below—note 1245 or 1250 to indicate type of asset)	b. Date acquired (mo., day, yr.)	c. Date sold (mo., day, yr.)	d. Gross sales price	e. Cost or other basis, net of subsequent depreciation (if not purchased, attach statement of basis and expense of sale)																		
1																						
<table border="1"> <thead> <tr> <th colspan="2">f. Depreciation allowed (or allowable) since acquisition</th> <th>g. Adjusted basis (e less sum of f-1 and f-2)</th> <th>h. Total gain (d less g)</th> <th>i. Ordinary gain (lesser of f-2 or h) (see instructions)</th> <th>j. Other gain (h less i)</th> </tr> <tr> <th>f-1. Prior to January 1, 1962 OR Prior to January 1, 1964</th> <th>f-2. After December 31, 1961 OR After December 31, 1963</th> <th></th> <th></th> <th></th> <th></th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>					f. Depreciation allowed (or allowable) since acquisition		g. Adjusted basis (e less sum of f-1 and f-2)	h. Total gain (d less g)	i. Ordinary gain (lesser of f-2 or h) (see instructions)	j. Other gain (h less i)	f-1. Prior to January 1, 1962 OR Prior to January 1, 1964	f-2. After December 31, 1961 OR After December 31, 1963										
f. Depreciation allowed (or allowable) since acquisition		g. Adjusted basis (e less sum of f-1 and f-2)	h. Total gain (d less g)	i. Ordinary gain (lesser of f-2 or h) (see instructions)	j. Other gain (h less i)																	
f-1. Prior to January 1, 1962 OR Prior to January 1, 1964	f-2. After December 31, 1961 OR After December 31, 1963																					
2 Total ordinary gain. Enter here and on line 11 and identify as gain from Part I.																						
3 Total other gain. Enter here and on line 4 and identify as gain from Part I.																						

PART II—SALE OR EXCHANGE OF PROPERTY UNDER SECTION 1231

a. Kind of property (if necessary, attach statement of descriptive details not shown below)	b. Date acquired (mo., day, yr.)	c. Date sold (mo., day, yr.)	d. Gross sales price	e. Depreciation allowed (or allowable) since acquisition	f. Cost or other basis, net of subsequent depreciation (if not purchased, attach statement of basis and expense of sale)	g. Gain or loss (d plus e less f)
4						
5 Total (If gain, enter on line 9; if loss, enter on line 11. Identify as gain or loss from Part II.)						

PART III—CAPITAL ASSETS

Short-Term Capital Gains and Losses—Assets Held Not More Than 5 Months

6					
7 Unused capital loss carryover (attach statement)					
8 Net short-term capital gain (or loss)					

Long-Term Capital Gains and Losses—Assets Held More Than 5 Months

9	SALE OF GOODWILL				1468.76
10 Net long-term capital gain (or loss)					

PART IV—PROPERTY OTHER THAN CAPITAL ASSETS

11	SALE OF COMPANY PART OF ASSETS				8491.53
12 Net gain (or loss). Enter here and on line 15					

PART V—TOTAL SCHEDULE D GAINS AND LOSSES

13	Enter excess of net short term capital gain (line 3) over net long term capital loss (line 10)	
14	Enter excess of net long term capital gain (line 10) over net short term capital loss (line 8)	164876
15	Net gain (loss) from property other than capital assets (line 12)	342113
16	Total of lines 13, 14, and 15. Enter here and on Form 1120, page 1, line 9	15,160.29
Alternative Tax Computation		
17	Taxable income (line 30, page 1, Form 1120)	
18	Net long term capital gain reduced by any net short term capital loss (line 14)	
19	Line 17 less line 18	
20	Surtax exemption (line 19, \$25,000, or amount apportioned under section 1561, whichever is lesser)	
21	Line 19 less line 20	
22	25 percent of line 18	
23	22 percent of line 19	
24	25 percent of line 21	
25	If multiple surtax exemption is elected under section 1562, enter 5 percent of line 20	
26	Alternative tax—Add lines 22 through 25. If applicable, enter here and on line 5, Schedule J, Form 1120, and write "alt." in the margin to the right of the entry	

INSTRUCTIONS

(References are to the Internal Revenue Code)

Gains and losses from sales or exchanges of capital assets and other property.—Sales or exchanges of capital assets and sales or exchanges of property other than capital assets must be reported in detail even though no gain or loss may be indicated.

Losses from sales or exchanges of capital assets are allowed only to the extent of gains from such sales or exchanges. However, a net capital loss may be carried over to each of the five succeeding taxable years (or to the extent such loss is attributable to a foreign expropriation loss to each of the ten succeeding taxable years). A net capital loss shall be treated in each such succeeding taxable year as a short term capital loss to the extent not allowed as a deduction against any net capital gain of any taxable year intervening between the taxable year in which the net capital loss was sustained and the taxable year to which carried.

Definition of capital assets. The term "capital assets" means property held by the taxpayer (whether or not connected with its trade or business) but does not include (1) stock in trade or other property which would properly be included in inventory if on hand at the close of the taxable year, or property held by the taxpayer primarily for sale to customers in the ordinary course of its trade or business; or (2) property used in the trade or business, of a character which is subject to the allowance for depreciation provided in section 167, or real property used in the trade or business; or (3) certain copyrights, literary, musical, or artistic compositions, or similar properties; or (4) accounts or notes receivable acquired in the ordinary course of trade or business for services rendered or from the sale of property described in (1) above; or (5) an obligation of the United States or any of its possessions or of a State or any political subdivision thereof, or of the District of Columbia, issued on or after March 1, 1941, on a discount basis and payable without interest at a fixed maturity date not exceeding 1 year from the date of issue.

Basis. In determining gain or loss for property acquired after February 28, 1913, use cost, except where property was acquired by bequest, gift, tax-free exchange, involuntary conversion, or wash sale of stock. See sections 1014, 1015, 1031, 1033, and 1091, respectively. If the amount shown as the basis is other than actual cash cost of the property sold or exchanged, full details must be furnished regarding the acquisition of the property.

Losses on securities becoming worthless.—If any securities become worthless during the taxable year and are capital assets, in the case of a taxpayer other than a bank as defined in section 581, the loss shall be considered as a loss from the sale or exchange, on the last day of such taxable year, of capital assets. Section 165(g)(1).

Losses not allowable.—No loss is recognized for wash sales of stock or securities. Section 1091.

No loss is allowed (except distributions in liquidation) between related persons. Section 267.

Gain from disposition of depreciable property under sections 1245 and 1250.—assets held more than 6 months (Part I). — (Report any gain from such property held for 6 months or less in

Part II). Except as provided below section 1245 property means depreciable (a) personal property (other than livestock) including intangible personal property, (b) tangible real property (except for buildings and their structural components) if used as an integral part of manufacturing, production, or extraction, or of furnishing transportation, communications, electrical energy, gas, water, or sewage disposal services, or used as a research or storage facility in connection with these activities, and (c) elevators and escalators.

Except as provided below section 1250 property means depreciable real property (other than section 1245 property).

See sections 1245(b) and 1250(d) for exceptions and limitations involving: (a) disposition by gift, (b) certain tax-free transactions, (c) like kind exchanges, involuntary conversions, and (d) sales or exchanges to effectuate FCC policies and exchanges to comply with FCC orders.

Column f of Part I.—In computing depreciation allowed or allowable for elevators or escalators enter in column f-1 depreciation prior to July 1, 1963, and in column f-2 depreciation after June 30, 1963.

Column i of Part I, section 1250 property only.—If held for more than 6 months, but not more than 1 year, enter the smaller of

- (1) column h, or
- (2) column f-2.

If held for more than 1 year, enter the result of multiplying the smaller of

- (1) column h, or
- (2) column f-2 less the amount of depreciation computed for the same period using the straight line method,

by the percentage obtained by subtracting from 100%, one percentage point for each full month the property was held in excess of 20 months.

Where substantial improvements have been made within the preceding ten years, see section 1250(f).

For provisions relating to recapture of exploration expenditures on the sale or other disposition of mining property, see section 617.

Gain on sales by a "controlled" corporation.—In the case of a sale or exchange, directly or indirectly, of property between an individual and a corporation more than 80 percent in value of the outstanding stock of which is owned by such individual, his spouse, and his minor children and minor grandchildren, any gain recognized to the transferor from such sale or exchange shall be treated as gain from the sale or exchange of property which is neither a capital asset nor property described in section 1231, if such property is in the hands of the transferee is depreciable under section 167. Section 1239.

Installment sales.—If you sold personal property for more than \$1,000 or real property regardless of amount, you may be eligible to report any gain under the installment plan if (1) there are no payments in the year of sale, or (2) the payments in the year of sale do not exceed 30% of the selling price. Section 453.

For treatment of a portion of payments as "unearned interest" on deferred payment sales, see section 483.

(Instructions continued on reverse of duplicate)

BEST COPY AVAILABLE

Schedule I—SPECIAL DEDUCTIONS

- 1 (a) 85 percent of line 1, Schedule C
 (b) 60.208 percent of line 2, Schedule C
 (c) 85 percent of line 3, Schedule C
 (d) 100 percent of line 4, Schedule C
 2 Total—Not to exceed 85 percent of (line 28, page 1, less the sum of lines 3 and 5 of this schedule). The 85 percent limitation does not apply to a year in which a net operating loss occurs
 3 100 percent of line 8, Schedule C
 4 Dividends paid on certain preferred stock of public utilities (see instructions in case of net operating loss)
 5 Western Hemisphere trade corporations (not allowable in year of net operating loss)
 6 Total special deductions—Add lines 2 through 5. Enter here and on line 29(b), page 1

Schedule J—TAX COMPUTATION

- 1 Taxable income (line 30, page 1) (83,000)
 2 Surtax exemption (line 1, \$25,000, or amount apportioned under section 1561, whichever is lesser) (11,000)
 3 Line 1 less line 2 72,000
 4 (a) 22 percent of line 1
 (b) 26 percent of line 3
 (c) If multiple surtax exemption is elected under section 1562, enter 6 percent of line 2
 5 Income tax (line 4, or line 26 of separate Schedule D, whichever is lesser)
 6 Foreign tax credit (attach Form 1118)
 7 Line 5 less line 6
 8 Investment credit (attach Form 3468)
 9 Line 7 less line 8
 10 Personal holding company tax (attach Schedule 1120 PH)
 11 Tax from recomputing prior year investment credit (attach computation)
 12 Total tax—Add lines 9, 10, and 11. Enter here and on line 31, page 1

H Date incorporated 5-1-64I (1) Did the corporation at the end of the taxable year own directly or indirectly 50 percent or more of the voting stock of a domestic corporation? Yes ☐ No ☒(2) Did any corporation, individual, partnership, trust, or association at the end of the taxable year own directly or indirectly 50 percent or more of the corporation's voting stock? Yes ☒ No ☐
 (For rules of attribution, see section 267(c).)

If the answer to (1) or (2) is "Yes," attach a schedule showing:

- (a) name, address, and identifying number; and
 (b) percentage owned.

If the answer to (1) above is "Yes," include the taxable income (or loss) from line 30, page 1, Form 1120 of such corporation for the taxable year ending with or within your taxable year.

J Did you have any contracts or subcontracts subject to the Renegotiation Act of 1951? Yes ☐ No ☒
 If "Yes," enter the aggregate gross dollar amount billed during the yearK Amount of taxable income (or loss) from line 30, page 1, Form 1120 for: 1964 (27,627); 1965 (12,473); 1966 33,724

L Did you claim a deduction for expenses connected with:

(1) A hunting lodge ☐; working ranch or farm ☐; fishing camp ☐; resort property ☐; pleasure boat or yacht ☐; or other similar facility ☐? (Other than where the operation of the facility was the principal business.) Yes ☐ No ☒(2) The leasing, renting, or ownership of a hotel room or suite ☐; apartment ☐; or other dwelling ☐; which was used by customers or employees or members of their families? (Other than use by employees while in business travel status.) Yes ☐ No ☒(3) The attendance of your employees' families at conventions or business meetings? Yes ☐ No ☒

(4) Variations for employees or members of their families?

(Other than amount reported on Form W-2.) Yes ☐ No ☒

M Refer to page 7 of instructions and state the:

Principal business activity ServicePrincipal product or service Real EstateN Were you a member of a controlled group subject to the provisions of section 1561? Yes ☒ No ☐; or section 1562?Yes ☐ No ☒

If "Yes," check type of relationship:

(1) parent subsidiary ☒(2) brother-sister ☐(3) combination of (1) and (2) ☐ (see section 1563)O Were you liable for filing Forms 1096 and 1099 or 1097 for the calendar year 1967? Yes ☒ No ☐If "Yes," where were they filed? LA, CA, AZ, NVP Was there any substantial change in the manner of determining quantities, costs, or valuations between opening and closing inventory? Yes ☐ No ☒

If "Yes," attach explanation.

Q Did you pay dividends during the taxable year which you considered to be partially or wholly nontaxable to shareholders? Yes ☐ No ☒.
 (See sections 301 and 315.) If this is a consolidated return, answer here for parent corporation and on Form 251, "Affiliations Schedule," for each subsidiary.R Were you a U.S. shareholder of any controlled foreign corporation? Yes ☐ No ☒. (See sections 951 and 957.) If "Yes," attach Form 3645 for each such corporation.

Schedule L—BALANCE SHEETS

Page 4

ASSETS	Beginning of taxable year		End of taxable year	
	(A) Amount	(B) Total	(C) Amount	(D) Total
1 Cash		6,844.79		
2 Trade notes and accounts receivable	67,984.20			
(a) Less allowance for bad debts		17,974.20		
3 Inventories				
4 Gov't obligations: (a) U.S. and instrumentalities				
(b) State, subdivisions thereof, etc.				
5 Other current assets (attach schedule)		15,746.08		
6 Loans to stockholders				N
7 Mortgage and real estate loans				0
8 Other investments (attach schedule)				
9 Buildings and other fixed depreciable assets	76,333.75			N
(a) Less accumulated depreciation	14,581.15	110,107		15
10 Depletable assets				
(a) Less accumulated depletion				
11 Land (net of any amortization)	6,227.66			
12 Intangible assets (amortizable only)	4,798.58	2,371.09		
(a) Less accumulated amortization		3,521.73		
13 Other assets (attach schedule)		77,154.54		
14 Total assets				
LIABILITIES AND CAPITAL				
15 Accounts payable		17,247.24		
16 Mtes., notes, bonds payable in less than 1 yr.		38,571.80		N
17 Other current liabilities (attach schedule)		77,058.15		0
18 Loans from stockholders		13,700.00		N
19 Mtes., notes, bonds payable in 1 yr. or more				0
20 Other liabilities (attach schedule)				
21 Capital stock: (a) Preferred stock				
(b) Common stock	1,000.00	1,000.00		
22 Paid-in or capital surplus (attach reconciliation)				
23 Retained earnings—Appropriated (attach sch.)				
24 Retained earnings—Unappropriated		279.35		
25 Less cost of treasury stock		()		()
26 Total liabilities and capital		171,511.54		

Schedule M-1—RECONCILIATION OF INCOME PER BOOKS WITH INCOME PER RETURN

1 Net income per books	(83,200)	7 Income recorded on books this year not included in this return (itemize)	
2 Federal income tax		(a) Tax-exempt interest \$	
3 Excess of capital losses over capital gains			
4 Taxable income not recorded on books this year (itemize)		8 Deductions in this tax return not charged against book income this year (itemize)	
5 Expenses recorded on books this year not deducted in this return (itemize)		(a) Depreciation . . . \$	
(a) Depreciation . . . \$		(b) Depletion . . . \$	
(b) Depletion . . . \$			
6 Total of lines 1 through 5	1,234.75	9 Total of lines 7 and 8	
		10 Income (line 28, page 1) —line 6 less 9	(83,200)

Schedule M-2—ANALYSIS OF UNAPPROPRIATED RETAINED EARNINGS PER BOOKS (line 24, page 4)

1 Balance at beginning of year	279.35	5 Distributions: (a) Cash	
2 Net income per books	(83,200)	(b) Stock	
3 Other increases (itemize)		(c) Property	
		6 Other decreases (itemize)	
		Capitalization Disposition	
		10,000.00	8,000.70
4 Total of lines 1, 2, and 3	1,234.75	7 Total of lines 5 and 6	8,000.70
		8 Balance at end of year (line 4 less 7)	- 0 -

Ex 30.00

UNITED STATES TAX COURT

-----X

HARDER SERVICES, INC., :
(Formerly) HARDER EXTERMINATION SERVICE, INC., :

Petitioner, :

-against- :

COMMISSIONER OF INTERNAL REVENUE, :

Respondent. :

-----X

85 Oakland Avenue
West Hempstead, New York, N.Y.
May 1, 1975
10:35 A.M.

DEPOSITION of MARK WOOD, for the Petitioner,
taken pursuant to notice, held at the home of
Mark Wood, at the above place and time, before
Lisa Ellen Deutsch, a Notary Public of the State
of New York.

ACME REPORTING SERVICE
SHORTHAND AND STENOGRAPHIC REPORTERS
NOTARIES PUBLIC
140 NASSAU STREET
NEW YORK CITY
TELEPHONES: BECKMAN 3-0664-0665-0666

A p p e a r a n c e s :

HAVENS, WANDLESS, STITT & TIGHE, ESQS.,
Attorneys for Petitioner,
99 Park Avenue,
New York, New York.

BY: JOHN K. ANTHOLIS, ESQ.,
of Counsel.

MARIAN WESTEN and THEODORE KLETNICK, ESQS.,
U. S. Regional Counsel,
27 Federal Plaza, 12th Floor,
New York, New York 10007.

- - -

M A R K W O O D, called as a witness, being
first duly sworn, was examined and testified
as follows:

EXAMINATION BY

MR. ANTHOLIS:

Q Just relax. I don't want you getting
excited.

Please state your name and address.

A Mark Wood, 85 Oakland Avenue, West Hempstead,
New York.

Q Are you presently employed?

A No.

Q Would you tell us why you are not employed?

A I retired as of January 1st, due to a physical
condition.

Q And that physical condition is?

1

2

A A stroke called cerebral accident.

3

Q When did this occur?

4

A June 23, '74.

5

Q 1974. Prior to your retirement, who

6

were you working for?

7

A Harder Services, Inc.

8

Q And how long were you working for Harder

9

Services?

10

A A little more than seventeen years.

11

Q And in what capacity?

12

A Recently vice president-treasurer.

13

Q Vice President and treasurer?

14

A Treasurer.

15

Q During the year 1964 and thereafter,

16

were you ever a director of Harder Services, Inc.?

17

A No.

18

Q Or any of its predecessor companies?

19

A No.

20

Q Were you ever a director of any of its

21

subsidiaries?

22

A No.

23

Q Or its affiliated companies?

24

A No.

25

Q During the years 1964 to 1968, were you

1

2

an officer of Harder?

3

A Yes, sir.

4

Q And what office did you hold?

5

A Treasurer.

6

Q During the years 1964 to 1968, were you

7

an officer of Cardinal Maintenance, Inc.?

8

A Yes.

9

Q And what office did you hold?

10

A Treasurer.

11

Q In your prior testimony, you testified

12

that you were a vice president of these companies;

13

when did you become vice president?

14

A In 1967, I believe.

15

Q I see. So, recapping, during the years

16

'64, '65 and '66, you were treasurer of Harder Tree,

17

Inc., and Cardinal, Inc.?

18

A That's right.

19

Q And you were also the vice president?

20

A That's correct.

21

Q Mr. Wood, did you know Richard Vallentine?

22

A Yes.

23

Q Could you tell us who Richard Vallentine

24

was or is?

25

A The attorney for Mr. Harder, and also acted as

1

2

Harder Services and Harder Tree Service.

3

4

Q And he was related how to F. Kenneth Harder?

5

A His son.

6

7

8

9

Q Prior to July 31, 1964, you were advised by whom of the pending transaction of the merger of Cardinal Maintenance Corporation and the Harder Tree Services?

10

A By Frank and his father, Mr. Harder.

11

12

Q Were you asked to review the transaction prior to July 31, 1964?

13

A No.

14

15

Q Were you asked to examine any documents prior to July 31, 1964?

16

A No.

17

18

19

Q Prior to July 31, 1964, did you have an opportunity to discuss this matter with Mr. Richard Vallentine?

20

A No.

21

22

Q Did you discuss the transaction prior to July 31, 1964 with Mrs. Helen Harder?

23

A No.

24

25

Q Who is Mrs. Helen Harder?

A She is F. Kenneth Harder's wife and Frank

1
2 Inc.?

3 A An additional investment.

4 Q Mr. Wood, turn to the general ledger account
5 page 136, for the year 1967. I direct your attention
6 to the entry dated February 28th, which indicates an
7 increase in the investment down by \$100,677.44. Can
8 you tell us for accounting purposes, what was the
9 meaning of that transaction?

10 A For that entry, I should state that was the pay-
11 ment made to Philip A. Rogers to re-acquire his stock
12 in Harder Tree Services.

13 Q And if you re-acquire your stock of
14 Harder Tree Service and this payment was made to
15 Mr. Rogers for that purpose, why did you treat this
16 as an investment of Cardinal Maintenance, Inc.?

17 MISS WESTEN: Objection. It calls for
18 an opinion of the witness. It's in the book
19 as an investment, and whether that's the pur-
20 pose, conclusion or not, is part of the issue
21 in the case.

22 MR. ANTHONIS: All I'm asking the wit-
23 ness is directing his answer to why, in par-
24 ticular, in connection with accounting pur-
25 poses.

4-0003-0000

1
2 Q Why did you treat this in this manner for
3 accounting purposes?

4 A I felt that this was additional expense in
5 the acquisition of Cardinal Maintenance Corporation.

6 Q Did you come to that conclusion alone?

7 A No, I guess I didn't.

8 We had, I think I consulted with my
9 accounting firm, Byrnes, Byrnes and Baker, Keith L.
10 Baker.

11 Q And Mr. Baker advised you to treat this
12 transaction this way for accounting purposes?

13 A Yes.

14 Q Mr. Wood, I show you the general journal
15 for Harder Tree Services, Inc., and particularly
16 the entries of August 31, 1964, which shows certain
17 entries made in a merger account and certain in-
18 vestments in capital stock.

19 Could you explain what prompted these
20 entries?

21 A This investment of capital stock was reported
22 in the issuance of twenty-two shares of capital stock
23 of Cardinal Maintenance, Inc.

24 Q Twenty-two shares of Cardinal Maintenance
25 Corporation?

1
2 A I'm sorry. It was twenty-two shares of Harder
3 Tree stock for the purchase of stock of Cardinal
4 Maintenance.

5 Q Incorporated or corporation?

6 A Incorporated.

7 Q I turn to the general journal page 47,
8 indicating an entry on December 27, 1967, and could
9 you give us an explanation of what prompted this
10 entry?

11 A It is in the amount of \$110,563.30, of which
12 \$7,042.70 was credited to our affiliate, Cardinal
13 Maintenance, Inc.

14 The other was credited to investments in
15 the amount of \$103,520.60, and the purpose of the
16 entry was to record the loss of the liquidation of
17 Cardinal Maintenance, Inc.

18 Q In other words -- earlier, you testified
19 that one or two years subsequent to the merger, that
20 you had occasion to review the stock option agreement
21 again, and the employment covenant agreements and that,
22 in your own mind, you had some reservations about the
23 formula that was to be used as to the value of the
24 stock, is that correct?

25 A Yes.

1
2 Q Did you bring this feeling that you had
3 to the attention of Mr. F. Kenneth Harder?

4 A Yes, I think he was aware of it, though.

5 Q Are you familiar with the occasion of
6 the termination of Mr. Rogers association with the
7 Harder Company and Cardinal Maintenance Corporation?

8 A Yes.

9 Q Prior to that, let me ask you this question:
10 What did Mr. Rogers -- what capacity did
11 Mr. Rogers hold with Cardinal Maintenance, Inc.?

12 A Mr. Rogers was president and I believe director
13 of Cardinal Maintenance, Inc.

14 Q Also an officer of Harder Tree Services?

15 A No.

16 Q Are you sure that was not an officer of
17 Harder Tree Services?

18 A I'm not sure.

19 Q Well, okay.

20 At or about the time of the termination
21 of his relationship with Cardinal Maintenance, Inc.,
22 was there an occasion when you again reviewed the
23 stock option agreement and the employment covenant
24 agreement?

25 A Yes.

1
2 Q And in your own mind --

3 MISS WESTEN: Objection, because it calls
4 for the subjective opinion of the witness, and
5 we're here talking about objective transactions,
6 so that the witness's individual opinion is
7 irrelevant and immaterial.

8 MR. ANTHOLIS: I'm laying a foundation
9 to show the state of the mind of the witness at
10 this particular time, and that's what this line
11 of questioning will pursue.

12 Q So, I ask you again, did you have an occa-
13 sion to review the stock option agreement and the
14 employment agreement covenant agreements, at or
15 about the time that Mr. Rogers' services were to be
16 terminated?

17 A Yes.

18 Q And what was your reaction to that review?

19 A It seemed to me that the value of the stock
20 as set up in the agreement, would be totally out of
21 line with its true value.

22 Q Let me ask you this:

23 Have you ever had an occasion to value
24 stock? How did you come up with this conclusion?

25 MISS WESTEN: Then I object to the witness

1
2 any knowledge as to why this payment was made?

3 MISS WESTEN: Objection. It calls for
4 an opinion from the witness.

5 MR. ANTHOLIS: The foundation has been
6 laid, as treasurer of the company, and in view
7 of the fact that he had a state of mind about
8 value and expressed it to Mr. Harder, I'm ask-
9 ing him as to whether or not he had any know-
ledge as to why the payment was paid.

11 MISS WESTEN: That calls for hearsay
12 testimony because he stated that he did not
13 make the decision. So, if it was made by some-
14 one else, that someone else should testify.

15 MR. ANTHOLIS: No, but he can testify as
16 to -- well, he's going to testify. We'll let
17 the Judge decide.

18 Q Did you have any knowledge as to why the
19 payment was made?

20 A Yes, the payment was made because we wanted to
21 divest ourselves, so to speak, of the services of
22 Mr. Richard Rogers.

23 MR. ANTHOLIS: I have no further questions.

24 MISS WESTEN: I have no questions.

25 (Time noted: 11:25 A.M.)

• E.H.
Pat. # 31

COPY

NEW YORK, N. Y.
WESTFIELD, N. J.
RIVERHEAD, N. Y.

BYRNES & BAKER
CERTIFIED PUBLIC ACCOUNTANTS
229 SEVENTH STREET
P. O. BOX 142
GARDEN CITY, N. Y. 11534
B16 PIONEER 2-4531

November
10
1966

MEMORANDUM:

Subject: Stock Option Agreement - Philip A. Rogers

To: Frank K. Harder, President
Harder Extermination Service, Inc.

1. A study is presently under way to determine the feasibility of merging the following companies into Harder Extermination Service Inc. as at January 1, 1967: Harder Tree Service, Inc., Cardinal Maintenance, Inc., Harder Jersey Pest Control, Inc., and Harder Woodland Tree Experts, Inc. Preliminary results of the survey indicate the advisability of such a merger, considerable administrative and accounting benefits being a certainty, financial benefits a probability, and tax benefits a distinct possibility.
2. In the course of our study, our attention was called to a "Stock Option Agreement" dated July 31, 1964 between Harder Tree Service, Inc. and P. Kenneth Harder and Philip A. Rogers. This agreement provides, briefly, for a method by which Harder Tree Service, Inc. and/or P. Kenneth Harder will purchase the capital stock of Harder Tree Service Inc. owned by Philip A. Rogers under certain conditions, and provides also a method to be used in arriving at a price to be paid for the stock if and when these conditions are met.
3. It is our opinion that, if the aforementioned merger is to be consummated, the subject "Stock Option Agreement" must be cancelled and a new agreement negotiated. Our reasons for this opinion are as follows:

- (a) Harder Tree Service, Inc. will be dissolved and thus will cease to be a party to the agreement.
- (b) The sales of Harder Tree Service, Inc. and Cardinal Maintenance, Inc., the amounts of which are fundamental to the determination of the value of Harder Tree Service Inc., as set forth in Section 2 above, will become commingled with the sales of the other divisions in the merged operations, thus rendering the valuation method called for by the agreement impossible to operate.
- (c) Philip A. Rogers will become the owner of a number of shares (the exact number of which is now in process of determination) of Harder Extermination Service, Inc. and thus will become a partial owner of the net assets and share in the net profits of five (5) divisions, rather than of two (2) as at present. Therefore, another method of valuation will have to be arrived at, since the prior agreement did not provide for a valuation method under these circumstances.
- (d) The valuation method contained in the subject agreement places a value based primarily on sales. Such a method presupposes that such sales will yield a normal operating profit, with profit increasing as sales increase. In the case of Cardinal Maintenance, Inc., no operating profit has yet to be enjoyed after more than two years of operations. Obviously then, a valuation based on unprofitable sales is not a proper valuation method, since it places an unreal value on the capital stock of a company, that, without infusions of capital by its parent, could not survive.
- (e) It is contemplated that, at some future date, the merged companies will undergo major debt or equity financing. The existence of an agreement that is faulty, as outlined in the previous paragraphs of this section, would in all probability, preclude any such financing arrangements.

4. The purpose of the "Stock Option Agreement" was commendable in that it provided a means to liquidate Mr. Rogers' estate at a determinable value in the event of his death or to provide a means of reimbursing him, in the event of the cessation of his employment, in an amount sufficient to reimburse him for his original capital investment plus any increment in value that arose from his own efforts in making the operations under his control more profitable.

Accordingly, a similar agreement should be negotiated, but it should reflect realistically the changed conditions brought about by the proposed merger.

5. A method of valuation must be arrived at for Mr. Rogers' stock in Harder Extermination Service, Inc. (or whatever name is assigned to the merged companies). Sales, as a means of determining value in a going concern, has no validity, as the experience of Cardinal Maintenance, Inc. has proved. Book value is more tangible at first thought, but it must be adjusted to provide for increases in the book value of assets and to provide for goodwill, which can be defined for this purpose as the ability of the merged operations to yield a net profit greater, in relation to capital invested, than one would normally anticipate, this ability then being assigned a dollar value.

There are two objections to this "adjusted book value" method in the present case. The tangible assets subject to appraisal consist mainly of motor vehicles and equipment, and wide variations in appraisals of this type of assets could be expected. As to setting a value of goodwill based on profits and their relation to capital invested, the merged companies' more profitable operations lie ahead rather than in the past, and any value of goodwill thus determined at this time would be insignificant in amount, if, indeed, it existed at all. A third method, however, is available and, we believe, preferable, and will be discussed in the following section.

6. The best method of valuing stock, in the absence of any market for such stock, as is true in this case, is a method simple to compute, with a minimum of possibilities for disagreement or interpretation, and which reflect a value that takes into account current operating results. Such a method, which meets all of these requirements, exists in the use of the "price-earnings ratio". Simply stated, a stock is said to be worth a certain number of times its annual earnings. Stated conversely, the value of a stock is set when the earnings of that stock represent the desired return on such value.

For example, if a company earns \$10 per share, and it is believed that a 10% return on capital is proper and desirable, then the value of the stock is \$100, \$10 being 10% of that value. Expressed another way, the stock is worth \$100, which represents 10 times earnings of \$10 per share.

If on the other hand, a stock is believed to be worth only 8 times earnings, or, as in the above example, \$80 per share, the return on that value increases to 12½%. This would occur, in the absence of unrelated market pressures, where the investment risk was great, or where no growth was anticipated.

If, however, a stock is quoted at 20 times earnings, it sets a value, again using the foregoing example, of \$200 per share, and the profit of \$10 per share represents only a 5% yield. This will occur when the investor believes that future prospects and growth will yield a far greater capital appreciation in years to come than the other two examples cited, and thus is willing to pay a higher price, and thus receive a lower yield, for stock in a company of this type.

The analogy between this latter example and the case of Harder Extermination Service, Inc. seems clear. The latter must be considered a "growth company" and any valuation of stock for purchase or sale must take this fact into consideration. Accordingly, it is our recommendation that an option agreement be entered into in which the price of the stock to be purchased from Mr. Rogers or his

estate be based upon a negotiated "price-earnings ratio".

7. As to the details of this ratio, earnings should be defined as net, after-tax, income determined on the basis of generally accepted accounting principles. It should not be based on the income of any one year, but on an average of the income of the preceding three years. If desired, in order to allow for consistent growth, the determination of price could be delayed by agreement, until the completion of the year during which the valuation was made necessary, thus permitting current income to be included in the average. An average, rather than one year, is necessary to smooth out the effects of one particularly good or bad year.

To complete the ratio, the "times" factor must be negotiated, so that it may be applied to the average earnings as derived above, to set a price per share. From experience, we would say that 15 times earnings in this case would be fair to all parties. It is a growth situation, but not a spectacular growth situation which might bring a price of 20 to 40 times earnings. On the other hand, 8 to 10 times earnings is the usual price for a mature company with steady but not rapid growth.

8. There are certain other terms of such an option agreement which we must recommend be adopted:
 - (a) A reasonable amount of time, perhaps two to three years, must be allowed for the Company (see below) to make payment for the stock. It might be deemed expedient to set the terms of purchase so that Mr. Rogers or his estate can treat the transaction as an installment sale.
 - (b) The agreement should be between two parties only, Mr. Rogers and Harder Extermination Service, Inc. (or however designated) and the successors of each. To bring third parties into the agreement will in all probability create unnecessary problems for such third parties while providing little or no protection or other benefits for Mr. Rogers or the Company.

(c) And finally, the agreement should make clear that the method of valuation will apply only to stock held by Mr. Rogers, was adopted only because of his capital contribution and special efforts in behalf of the Company, and does not represent an equitable method of setting the value of the stock of any other stockholder of the Company.

Respectfully submitted

Attached is Item 10 of
Pet. Exhibit 32, which was admitted
in the Evidence (App. 91-96)

Item 10, Pet. Ex. 32

July 31, 1964

The undersigned hereby certifies that the value of 22 shares of common stock of Harder Tree Service, Inc., a New York corporation, issued on July 31, 1964, is \$9,200.

Philip A. Rogers
Philip A. Rogers

8.1 8.2 8.3

SCHEDULES

Schedule No. 1

HARDER TREE SERVICE, INC.

Balance Sheet as at December 31, 1966

Net Assets

Cash	\$ 3,287	
Accounts Receivable	85,695	
Inventories	23,835	
Operating Supplies	29,854	
Unbilled Contract Costs	8,719	
Unexpired Insurance	<u>10,302</u>	
Total Current Assets		\$161,692
Less: Current Liabilities		
Accounts Payable	\$110,960	
Accrued Items	<u>9,936</u>	
Total Current Liabilities		<u>120,896</u>
Working Capital		\$ 40,796
Investment in Subsidiary		<u>2,843</u>
Total Net Assets		<u>\$ 43,639</u>

Investment

Loans From Stockholders		\$ 3,049
Stockholders' Equity		
Common Stock	\$ 11,000	
Retained Earnings	<u>29,590</u>	
Total Stockholders' Equity		<u>40,590</u>
		<u>\$ 43,639</u>

SOURCE: Corporate Tax Return

▲ 5190 20

Schedule No. 2

CARDINAL MAINTENANCE, INC.

Balance Sheet as at December 31, 1966

Net Assets

Current

Cash	\$ 6,846	
Accounts Receivable	67,955	
Operating Supplies	11,526	
Unexpired Insurance	2,560	
Prepaid Items	<u>1,660</u>	
Total Current Assets		\$90,547
Less: Current Liabilities		
Accounts Payable	\$17,043	
Notes Payable	38,074	
Accrued Items	<u>27,058</u>	
Total Current Liabilities		<u>82,175</u>
Working Capital		\$ 8,372
Equipment, at Cost	\$ 2,634	
Less: Accumulated Depreciation	<u>1,489</u>	
Net Equipment		\$ 1,145
Intangible Assets:		
Purchase Contract	\$ 6,551	
Organization Expense	<u>379</u>	
	6,930	
Less: Accumulated Amortization	<u>4,799</u>	
Net Intangible Assets		\$ 2,131
Good Will		<u>3,331</u>
Total Net Assets		<u>\$14,979</u>

Investment

Loans From Stockholders		\$13,700
Stockholders' Equity		
Common Stock	\$ 1,000	
Retained Earnings	<u>279</u>	
Total Stockholders' Equity		<u>1,279</u>
Total Investment		<u>\$14,979</u>

SOURCE: Corporate Tax Return

Schedule No. 3

HARDER TREE SERVICE, INC.

Comparative Statement of Income - Year Ended December 31, 1964-1966

	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>Operating Ratios</u>		
				<u>1964</u>	<u>1965</u>	<u>1966</u>
	\$	\$	\$	(% of Gross Sales)		
Gross Sales	350,481	423,194	451,284	100.0	100.0	100.0
Cost of Goods Sold	<u>235,965</u>	<u>289,683</u>	<u>276,195</u>	<u>67.3</u>	<u>68.4</u>	<u>61.2</u>
Gross Profit	<u>114,516</u>	<u>133,511</u>	<u>175,089</u>	<u>32.7</u>	<u>31.6</u>	<u>38.8</u>
Expenses						
Salaries and Wages	38,952	40,507	53,225	11.1	9.6	11.8
Commissions	5,608	7,818	7,317	1.6	1.9	1.6
Sales Promotion	2,723	4,294	2,246	0.8	1.0	0.5
Travel and Entertainment	1,754	2,719	1,136	0.5	0.6	0.2
Insurance	2,408	2,461	2,573	0.7	0.6	0.6
Professional Services	1,315	1,414	772	0.4	0.3	0.2
Office Expense - Rents	5,141	4,461	2,513	1.5	1.0	0.6
Officers' Salaries	10,325	10,820	13,225	2.9	2.6	2.9
Advertising	7,899	11,251	4,613	2.3	2.7	1.0
Taxes, Including Payroll	9,360	11,159	13,094	2.7	2.6	2.9
Interest	428	598	442	0.1	0.1	0.1
Administrative and Financial Services	8,498	24,506	72,000	2.4	5.8	16.0
Other (Including Telephone)	<u>7,112</u>	<u>5,810</u>	<u>1,905</u>	<u>2.0</u>	<u>1.4</u>	<u>0.4</u>
Total Expenses	<u>101,523</u>	<u>127,818</u>	<u>175,061</u>	<u>29.0</u>	<u>30.2</u>	<u>38.8</u>
Net Income Before Taxes	<u>12,993</u>	<u>5,693</u>	<u>28</u>	<u>3.7</u>	<u>1.4</u>	<u>--</u>

SOURCE: Corporate Tax Return

STONE & WEBSTER APPRAISAL CORPORATION

Schedule No. 4

CARDINAL MAINTENANCE, INC.:

Comparative Statement of Income - Years Ended December 31, 1964-1966

	1964					Operating Ratios		
	1/1 to	8/1 to	Total	1965	1966	1964	1965	1966
	7/31	12/31				(% of Gross Sales)		
	\$	\$	\$	\$	\$			
Gross Sales	60,004	59,767	119,771	301,281	542,085	100.0	100.0	100.0
Cost of Goods Sold	(E) 35,189	47,214	82,403	241,073	437,267	68.8	80.0	80.7
Gross Profit	24,815	12,553	37,368	60,208	104,818	31.2	20.0	19.3
Expenses								
Officers' Salary	4,973	4,876	9,849	11,076	13,100	8.2	3.7	2.4
Salaries and Wages	5,833(a)	2,213	8,046	10,879	5,972	6.7	3.6	1.1
Commissions	--	306	306	1,986	8,349	0.3	0.7	1.5
Sales Promotion	419	522	941	928	475	0.8	0.3	0.1
Insurance	1,210	382	1,592	1,310	810	1.3	0.4	0.2
Advertising	336	1,174	1,510	2,696	4,627	1.3	0.9	0.9
Professional Services	420	449	869	2,536	2,484	0.7	0.8	0.5
Office Expense - Rents	896	1,308	2,204	1,875	1,541	1.8	0.6	0.2
Taxes, Including Payroll	4,057	2,958	7,015	15,130	27,077	5.9	5.0	5.0
Interest	--	290	290	82	--	0.3	-	-
Depreciation and Amortization	434	296	730	2,124	4,163	0.6	0.7	0.7
Administrative and Financial Services	--	--	--	7,500	26,320	-	2.5	4.9
Other (Including Telephone)	1,656	1,763	3,419	3,124	4,341	2.8	1.1	0.8
Total Expenses	20,234	16,537	36,771	61,246	99,259	30.7	20.3	18.3
Net Income Before Taxes	4,581(b)	(3,984)	597	(1,038)	5,559	0.5	(0.3)	1.0

NOTES: - E - Estimated

(a) Arbitrarily used \$10,000 annual salary - Assigned 7/12 to period.

(b) Before loss on sale of capital asset.

SOURCE: Corporate Tax Returns.

Schedule No. 5

STOCK PRICE INDEX, PRICE:EARNINGS MULTIPLES AND DIVIDEND YIELDS

425 INDUSTRIAL COMMON STOCKS

IN STANDARD & POOR'S DAILY STOCK PRICE INDEX

QUARTERLY 1961-1966

	Stock Price Index 1941-43=10	Earnings Per Share Adjusted to Index (a) \$	Dividends Per Share 12-Month Moving Totals Adjusted to Index \$	Ratio Dividends: Earnings %	Price: Earnings Multiples Times	Dividend Yields %
<u>1961</u>						
First	68.78	3.00	1.99	66.3	22.93	2.90
Second	68.40	3.31	2.00	60.4	20.66	2.92
Third	70.25	3.47	2.01	57.9	20.24	2.86
Fourth	75.72	3.67	2.08	56.7	20.63	2.75
<u>1962</u>						
First	73.36	3.73	2.10	56.3	19.67	2.86
Second	57.34	3.79	2.13	56.2	15.13	3.72
Third	58.80	3.73	2.15	57.6	15.76	3.66
Fourth	66.00	4.19	2.20	52.5	15.75	3.33
<u>1963</u>						
First	69.71	3.90	2.23	57.2	17.87	3.20
Second	72.76	4.27	2.28	53.4	17.04	3.13
Third	75.47	4.29	2.30	53.6	17.59	3.05
Fourth	79.25	4.48	2.38	53.1	17.69	3.00
<u>1964</u>						
First	83.87	4.62	2.43	52.6	18.15	2.90
Second	86.66	4.95	2.48	50.1	17.51	2.86
Third	89.12	4.98	2.54	51.0	17.90	2.85
Fourth	89.62	4.78	2.60	54.4	18.75	2.90
<u>1965</u>						
First	90.98	5.19	2.65	51.1	17.53	2.91
Second	89.12	5.67	2.73	48.1	15.72	3.06
Third	95.61	5.59	2.78	49.7	17.10	2.91
Fourth	98.47	5.58	2.85	51.1	17.65	2.89
<u>1966</u>						
First	95.51	5.84	2.92	50.0	16.35	3.06
Second	90.72	6.15	2.95	48.0	14.75	3.25
Third	81.65	5.80	3.01	51.9	14.08	3.69
Fourth	85.24	5.77	2.98	51.6	14.77	3.50

NOTE: (a) Seasonally adjusted annual rate.

SOURCES: Standard & Poor's, Trade & Securities
Statistics.

Schedule No. 6

OPERATING AND INVESTMENT RATIOS

	1964	1965	1966
<u>Net Income Before Taxes</u>	<u>-- (% of Net Sales) ---</u>		
Allied Maintenance Corp.	6.7	6.5	6.5
American Building Maintenance Industries	<u>2.9</u>	<u>3.1</u>	<u>2.8</u>
Average	<u>4.8</u>	<u>4.8</u>	<u>4.7</u>
Harder	3.7	1.4	-0-
Cardinal	<u>0.5</u>	<u>Loss</u>	<u>1.0</u>
<u>Net Income After Taxes</u>			
Allied Maintenance Corp.	3.6	3.6	3.5
American Building Maintenance Industries	<u>1.7</u>	<u>1.7</u>	<u>1.4</u>
Average	<u>2.7</u>	<u>2.7</u>	<u>2.5</u>
Harder & Cardinal (Combined)	<u>2.3</u>	<u>0.5</u>	<u>0.4</u>
<u>Price-Earnings Multiple</u>	<u>----- (Times) -----</u>		
Allied Maintenance Corp.	13.5	11.1	9.6
American Building Maintenance Industries	<u>8.4</u>	<u>9.1</u>	<u>8.4</u>
Average	<u>11.0</u>	<u>10.1</u>	<u>9.0</u>
<u>Ratio - Market Price to Book Value</u>	<u>----- (%) -----</u>		
Allied Maintenance Corp.	245	219	194
American Building Maintenance Industries	<u>113</u>	<u>128</u>	<u>103</u>
Average	<u>179</u>	<u>174</u>	<u>149</u>



Schedule No. 7

VALUATION CONCLUSIONS

HARDER TREE SERVICE, INC. - JANUARY, 1967

	Years Ended 12/31			3 Year Average
	1964	1965	1966	
<u>Earnings:</u>	\$	\$	\$	\$
Harder	12,993	5,693	28	
Cardinal	597	(1,038)	5,559	
Net Income Before Taxes	13,590	4,655	5,587	
Income Taxes (22%)	3,000	1,025	1,230	
Net Income	10,590	3,630	4,357	6,192
<u>Book Value - December 31, 1966</u>				
Harder			40,590	
Cardinal			1,279	
Total				41,869

Valuation

Capitalization of Earnings:

\$6,192 at 9 Times \$55,728

Book Value Relationship:

\$41,869 at 149% 62,385

Fair Market Value of Total
Enterprise (Average)

\$59,057

Fair Market Value Per Share
(200 Shares)

\$295.28

Value of Minority Block of 22 Shares:

Discount of 25% Applied for Minority
Interest and Lack of Marketability -
Per Share Value

\$221.46

Fair Market Value of 22 Shares

\$ 4,872

ALLIED MAINTENANCE CORP.

PERTINENT FINANCIAL STATEMENT AND INVESTMENT DATA

3/31 Year	Sales	Depre. & Amort.	Operating Income After Depre. & Amort.	Income Before Income Taxes	Net Income	Prof. Stock Div. & Minority Interest	Int. on Long Term Debt	Invested Capital		Common Stock Equity		Balance Sheet	March 31,	
								Year End	Average	Year End	Average		1965	1966
In Thousands of Dollars														
1962	20,241	NA	1,650	1,663	838	--	--	4,924	--	4,710	--	Current assets	8,637	9,890
1963	22,155	NA	1,654	1,777	975	--	(E) 15	5,582	5,253	5,571	5,141	Current liabilities	4,073	4,203
1964	30,137	NA	1,986	2,009	1,093	--	--	6,112	5,847	6,112	5,842	Working capital	4,559	5,677
1965	38,003	NA	2,460	2,471	1,312	--	--	6,666	6,389	6,666	6,389	Fixed assets - net	851	746
1966	42,353	NA	2,670	2,742	1,486	--	--	7,383	7,025	7,383	7,025	Intangibles	--	--
												Investments	227	230
												Other assets - net	1,023	730
												Net assets	5,666	7,383
By-Share Data														
			Earnings Data				Common Shares Outstanding				Represented By			
			Earnings	Dividends	Tangible Book Value	Stock Prices			Total	Adjusted				
						High	Low	Average						
1962			0.99	0.40	5.53	45 1/2	15	30 1/2	827,675	844,322	Long-term debt			
1963			1.15	0.40	6.52	26 1/2	17 1/2	21 1/2	846,477	846,477	Preferred stock			
1964			1.24	0.45	6.84	19 1/2	14	16 1/2	884,892	884,892	Minority interest			
1965			1.53	0.52 1/2	7.75	19 1/2	14 1/2	17	860,000	860,000	Common stock equity:			
1966			1.77	0.60	8.77	21	13	17	841,643	841,643	Common stock (\$3.00 pa.)			
											Acquired stock			
											Capital surplus			
											Earned surplus			
											Total com. stock equity			
											Total invested capital			
											Number of shares outstanding (#)			
											Percent of common stock equity to total invested capital (%)			
												100	100	
Ratios														
			To Sales				Based On							
			Capitalized Income	Income	Net	Average	Average		Price:	Dividend	Mkt. Value:	Dividend	Working	
			Before	After	Income	Invested	Common Stock		Earnings	Yield	Book Value	Payout	Capital	
			Depre.	Depre.	Before	Capital	Equity							
					Taxes				Times					
1962			Not	8.6	8.3	4.1	--	--	30.7	1.3	349	44		
1963				7.5	8.0	4.4	18.8	19.0	18.9	1.8	324	35		
1964			Avail-	6.6	6.7	3.6	18.7	18.7	13.5	2.7	245	36		
1965				6.5	6.5	3.5	20.5	20.5	11.1	3.1	219	34		
1966			able	6.4	6.5	3.5	21.2	21.2	9.6	3.5	194	34		

NOTES: E - Estimated

SOURCE: Moody's Industrial Manuals.

STONE & WEBSTER APPRAISAL CORPORATION

AMERICAN BUILDING MAINTENANCE INDUSTRIES
PERTINENT FINANCIAL STATEMENT AND INVESTMENT DATA

10/31 Year	Sales	Depre. & Amort.	Operating Income After Depre. & Amort.	Income Before Income Taxes	Net Income	Prof. Stock Div. & Minority Interest	Int. on Long Term Debt	Invested Capital		Common Stock Equity		Balance Sheet	October 31				
								Year End	Average	Year End	Average		1965	1966			
In Thousands of Dollars																	
1962	31,038	NA	990	970	505	--	110	5,552	--	3,979	--	Current assets	7,561	8,894			
1963	32,455	NA	1,056	945	348	--	95	5,207	5,405	4,526	4,253	Current liabilities	3,795	3,652			
1964	35,335	NA	1,135	1,049	612	--	90	5,787	5,522	5,158	4,842	Working capital	3,765	5,226			
1965	40,955	NA	1,304	1,254	888	--	(E) 60	6,137	5,952	5,509	5,334	Fixed assets - net	1,006	1,181			
1966	46,174	NA	1,450	1,258	654	--	(E) 90	7,571	6,854	5,976	5,742	Intangibles	619	707			
												Investments	--	--			
												Other assets - net	747	457			
												Net assets	6,127	7,571			
Per-Share Data																	
								Stock Prices			Common Shares Outstanding						
								Earnings	Dividends	Tangible Book Value	High	Low	Average	Total	Adjusted		
1962								0.67	-0-	4.56	21 1/2	5 1/2	13 1/2	753,404	753,404		
1963								0.73	-0-	5.21	9 1/2	6 1/2	9 1/2	753,404	753,404		
1964								0.82	-0-	6.00	7 1/2	6	6 1/2	747,404	747,404		
1965								0.94	0.15	6.67	9 1/2	7 1/2	8.56	733,300	733,300		
1966								0.99	0.25	7.19	9 1/2	5 1/2	7.44	732,800	732,800		
Ratios																	
To Sales																	
								Earnings			Price: Earnings	Dividend Yield	Mkt. Value: Book Value	Dividend Payout	Working Capital		
								Operating Income Before Depre. & Amort.	Operating Income After Depre. & Amort.	Income Before Taxes						Net Income	Average Invested Capital
1962								Not	3.2	2.8	1.6	-	-	20.3	-0-	299	-0-
1963									3.3	2.9	1.7	11.9	12.9	11.3	-0-	158	-0-
1964								Avail-	3.2	2.9	1.7	12.7	12.7	6.4	-0-	113	-0-
1965									3.3	3.1	1.7	12.6	12.9	9.1	-0-	122	16
1966								only	3.1	2.8	1.7	10.9	11.4	8.4	3.4	103	28

NOTES: E - Estimated.
 SOURCE: Moody's Industrial Manuals.

STOCK & WEBSTER APPRAISAL CORPORATION